

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION

**BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION
AND INDEPENDENT AUDITOR'S REPORT**

YEAR ENDED JUNE 30, 2013

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee For School District Audits
Members of the Carroll County, Kentucky, Board of Education
Carrollton, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carroll County, Kentucky, Board of Education, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Carroll County, Kentucky, Board of Education, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note O to the financial statements, the District's previously issued June 30, 2013, financial statements have been restated to correct a misstatement in the classification of fund equity in the governmental fund financial statement and net position in the statement of net position. The auditor's report dated November 6, 2013, on those previously issued statements is to be disregarded and is replaced by this auditor's report on the restated financial statements.

Kentucky State Committee For School District Audits
Members of the Carroll County, Kentucky, Board of Education
Carrollton, Kentucky

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-10 and 42-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Carroll County Board of Education's basic financial statements. The combining non-major fund financial statements and other supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining non-major fund financial statements, other supplemental schedules listed in the table of contents and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major fund financial statements, other supplemental schedules listed in the table of contents and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2013, except for Notes L and O as to which the date is February 24, 2014 on our consideration of the Carroll County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Carroll County Board of Education's internal control over financial reporting and compliance.

Raisor, Zapp & Woods, PSC

RAISOR, ZAPP & WOODS, PSC
Certified Public Accountants
Carrollton, Kentucky

November 6, 2013, except for Notes L and O as to which the date is February 24, 2014

**CARROLL COUNTY PUBLIC SCHOOL DISTRICT – CARROLLTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

As management of the Carroll County School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

The Management Discussion & Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, issued June 1999; GASB Statement No. 37, Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments; Omnibus, an amendment to GASB Statements No. 21 and No. 34, issued June 2001 and in GASB no. 38, Certain Financial Statement Note Disclosures, Issued in 2001. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- The ending cash balance for the District was in \$9,451,259 in 2013 and \$8,403,814 in 2012. This represents a increase of \$1,047,445. This is partially the result of utility tax revenues being \$920,032 more than budgeted.
- Our management strategies included conservative estimation of revenues. This was based on historical revenues received as compared to budget.
- The District purchased (2) school buses totaling \$189,280. Additionally, Early Head Start funds were used to purchase a mobile education bus at a cost of \$150,000. It is important to note that the school buses were budgeted for and purchased with cash and not through the Kentucky Interlocal School Transportation Association (KISTA).
- The district also replaced a school bus that was involved in an accident at a cost of \$112,107. An insurance claim has been filed and reimbursement is to be received in Fiscal 2014.
- Due to a decline in the fed funds rate, general fund interest income was \$2,427. This represents an increase of \$14 from the previous year.
- During fiscal 2013, utility tax revenue was \$3,120,032. This represents a slight decrease in revenue of \$183,798. We anticipate similar utility tax receipts for fiscal year 2014 as compared to 2013.
- Excluding on-behalf payments, the General Fund had \$15,274,691 in revenue and other financing sources, which primarily consisted of the carry forward, SEEK, property, utilities, and motor vehicle taxes. Excluding on-behalf payments and transfers, General Fund expenditures totaled \$14,716,009.
- During fiscal year 2013, the District recorded in its financial statements certain payments made by the State of Kentucky on behalf of the employees of the District, such as retirement plan match and insurance payments. These on-behalf payments totaled approximately \$2,939,309, including both general fund and school food service.
- During fiscal year 2013, the District paid the third and final lease payment to Apple Financial Services in the amount of \$106,300. The lease acquired 300 Macbooks for use by students at Carroll County High School.
- During fiscal year 2013, the District signed a three year lease with Apple Financial Services in the amount of \$177,631 to acquire 460 Ipad's for use by students at Carroll County Middle School.
- During fiscal year 2013, the District began initial design and planning of an \$8,703,996 Carroll County Middle School construction project.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

**CARROLL COUNTY PUBLIC SCHOOL DISTRICT – CARROLLTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 11-13 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 14-21 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-38 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$25,702,982 as of June 30, 2013.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position for the period ending June 30, 2013 and 2012

2013 Government Wide Net position compared to 2012 follows:

	Governmental Activities		Business-type Activities		Total District	
	2013	2012	2013	2012	2013	2012
Current Assets	\$ 11,048,424	\$ 10,543,027	\$ 92,304	\$ 81,430	\$ 11,140,728	\$ 10,624,457
Noncurrent Assets-Capital Assets, less Accumulated Depreciation	26,163,459	25,622,145	274,709	280,348	26,438,168	25,902,493
Total Assets	\$ 37,211,883	\$ 36,165,172	\$ 367,013	\$ 361,778	\$ 37,578,896	\$ 36,526,950
Current Liabilities	\$ 1,719,181	\$ 1,685,858	\$ 18,587	\$ 200	\$ 1,737,768	\$ 1,686,058
Noncurrent Liabilities	10,138,146	10,923,126	-	-	10,138,146	10,923,126
Total Liabilities	\$ 11,857,327	\$ 12,608,984	\$ 18,587	\$ 200	\$ 11,875,914	\$ 12,609,184
Net Position						
Net Investment in Capital Assets (net of debt)	\$ 15,393,118	\$ 14,061,898	\$ 274,709	\$ 280,348	\$ 15,667,827	\$ 14,342,246
Restricted	5,259,510	1,338,497	-	-	5,259,510	1,338,497
Fund Balance	4,701,928	8,155,793	73,717	81,230	4,775,645	8,237,023
Total Net Position	\$ 25,354,556	\$ 23,556,188	\$ 348,426	\$ 361,578	\$ 25,702,982	\$ 23,917,766

**CARROLL COUNTY PUBLIC SCHOOL DISTRICT – CARROLLTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

CHANGES IN NET POSITION FOR THE PERIOD ENDING JUNE 30, 2013 AND 2012

	Governmental Activities		Business-type Activities		Total District	
	2013	2012	2013	2012	2013	2012
REVENUES						
Program Revenues:						
Charges for Services	\$ 150,966	\$ 127,183	\$ 330,336	\$ 331,067	\$ 481,302	\$ 458,250
Federal & State Grants & Contributions	7,789,461	8,070,501	1,038,357	970,009	8,827,818	9,040,510
General Revenues:						
Property Taxes	4,217,010	4,076,447	-	-	4,217,010	4,076,447
Other Taxes	3,422,584	3,544,924	-	-	3,422,584	3,544,924
Revenue In Lieu of Tax	915,620	800,700	-	-	915,620	800,700
State Aid Formula Grants	7,052,010	7,344,753	-	-	7,052,010	7,344,753
Other General Revenues	2,912	3,059	7	19	2,919	3,078
Gain/Loss on Sale of Assets	80,780	335	-	135	80,780	470
Total Revenue	<u>\$23,631,343</u>	<u>\$ 23,967,902</u>	<u>\$1,368,700</u>	<u>\$1,301,230</u>	<u>\$ 25,000,043</u>	<u>\$ 25,269,132</u>
EXPENSES						
Program Expenses:						
Instruction	\$ 13,026,772	\$ 12,669,609	\$ -	\$ -	\$ 13,026,772	\$ 12,669,609
Support Services:						
Student	832,366	793,336	-	-	832,366	793,336
Instructional Staff	1,231,311	1,513,094	-	-	1,231,311	1,513,094
District Administration	642,452	648,368	-	-	642,452	648,368
School Administration	1,385,048	1,274,535	-	-	1,385,048	1,274,535
Business Support Service	618,981	657,759	-	-	618,981	657,759
Plant Operation & Maintenance	1,842,448	1,808,976	-	-	1,842,448	1,808,976
Student Transportation	1,314,600	1,227,669	-	-	1,314,600	1,227,669
Other Instructional	4,251	4,101	-	-	4,251	4,101
Food Service Operation	41,949	18,689	1,381,852	1,368,434	1,423,801	1,387,123
Community Service	195,689	240,403	-	-	195,689	240,403
Other - Consortium Expenses	178,304	-	-	-	178,304	-
Interest on Long-Term Debt	518,804	538,725	-	-	518,804	538,725
Total Expenses	<u>\$21,832,975</u>	<u>\$ 21,395,264</u>	<u>\$1,381,852</u>	<u>\$1,368,434</u>	<u>\$ 23,214,827</u>	<u>\$ 22,763,698</u>
Excess (Deficit) of Revenues/Expenses	\$ 1,798,368	\$ 2,572,638	\$ (13,152)	\$ (67,204)	\$ 1,785,216	\$ 2,505,434
Transfers	-	(272,826)	-	272,826	-	-
Increase (Decrease) in Net Position	\$ 1,798,368	\$ 2,299,812	\$ (13,152)	\$ 205,622	\$ 1,785,216	\$ 2,505,434
Net Position-July 1	23,556,188	21,256,376	361,578	155,956	23,917,766	21,412,332
Net Position-June 30	<u>\$25,354,556</u>	<u>\$ 23,556,188</u>	<u>\$ 348,426</u>	<u>\$ 361,578</u>	<u>\$ 25,702,982</u>	<u>\$ 23,917,766</u>

Comments on Budget Comparisons

- Revenues and expenditures associated with on-behalf payments made by the state of Kentucky for Teacher Retirement, Fringe Benefits, Network Services and Vocational Education are not budgeted.
- Revenues: General Fund revenues and other financing sources were \$15,274,691 for the fiscal year ended June 30, 2013, excluding on-behalf revenue.
- Expenses: General Fund expenses, including fund transfers, were \$14,772,939 for the fiscal year ended June 30, 2013, excluding on-behalf payments.
- Expenses exceeded revenues by \$501,752 in fiscal year 2013.

**CARROLL COUNTY PUBLIC SCHOOL DISTRICT – CARROLLTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

The following table presents a summary of revenue and expenditures, including other financing sources and uses for the General Fund for the fiscal years ended June 30, 2013 and 2012.

	2013	2012
REVENUES AND OTHER FINANCING SOURCES:		
Local Revenue Sources	\$ 8,160,892	\$ 8,010,949
State Revenue Sources	6,667,322	6,948,702
Investments	2,428	2,413
Other Sources	252,817	126,198
Capital Lease Proceeds	174,340	318,903
Sale of Equipment	10,577	3,304
State On-Behalf Payments	2,819,960	2,820,927
Intergovernmental - Federal	6,315	-
Total Revenues	<u>\$ 18,094,651</u>	<u>\$ 18,231,396</u>
EXPENDITURES AND OTHER FINANCING USES:		
Instruction	\$ 8,733,976	\$ 8,341,055
Student Support Services	700,153	678,062
Instructional Support	1,102,969	1,198,154
District Administration	636,187	652,672
School Administration	1,383,211	1,272,508
Business Support	579,041	610,876
Plant Operation	1,757,349	1,721,051
Student Transportation	1,062,417	1,006,913
Other Instructional	4,251	4,101
Food Service Operation	3,961	205
Community Support	-	-
Debt Service	283,956	280,392
Facilities Acquisition & Construction	1,288,498	917,264
Fund Transfers (net)	56,930	13,742
Total Expenditures	<u>\$ 17,592,899</u>	<u>\$ 16,696,995</u>
Revenues and other Financing Sources in Excess of Expenditures and other financing uses	<u>\$ 501,752</u>	<u>\$ 1,534,401</u>

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the District overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with \$2,165,536 in contingency (12.9%). The general fund unassigned beginning balance for fiscal year 2013 is \$5,394,769.

Carroll County Public Schools received a federal grant titled Title I Assistance, which was originally awarded for the period July 1, 2012 through September 30, 2014. This grant was awarded in the amount of \$677,807. The impact involved both elementary schools and their associated staff.

Carroll County Public Schools received a federal grant titled Early Head Start, which was originally awarded for the period August 1, 2012 through July 31, 2013 in the amount of \$1,111,667. The grant supports the Early Head Start program.

**CARROLL COUNTY PUBLIC SCHOOL DISTRICT – CARROLLTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

Carroll County Public Schools received a federal grant titled Title VI, Part B – Rural and Low Income Schools (RLIS). This grant was originally awarded for the period of July 1, 2012 through September 30, 2014 in the amount of \$35,863. The district primarily involved Kathryn Winn Elementary and their associated staff.

Carroll County Public Schools received a federal grant titled Head Start Assistance, which was originally awarded for the period August 1, 2012 through July 31, 2013. This grant was awarded in the amount of \$691,127. It's impact involved the Head Start Program and the associated staff. This grant also helped fund part of the Head Start Director's position.

Carroll County Public Schools received a federal grant titled Title II Teacher Quality Assistance, which was originally awarded for the period July 1, 2012 through September 30, 2014. This grant was awarded in the amount of \$104,846. It's impact involved two staff positions at Kathryn Winn Elementary.

Carroll County Public Schools received a federal grant titled IDEA Basic Assistance, which was originally awarded for the period July 1, 2012 through September 30, 2014. This grant was awarded in the amount of \$383,358. It's impact involved special educational services for both elementary schools and the middle and high schools and their associated staff. This grant also helped fund the Director of Special Education and the School Psychologist.

Carroll County Public Schools received a federal grant title IDEA Basic Preschool, which was originally awarded for the period of July 1, 2012 through September 30, 2014. The grant was awarded in the amount of \$21,141.

Carroll County Public Schools received a federal grant titled Title III Assistance, which was originally awarded for the period July 1, 2012 through September 30, 2014. This grant was awarded in the amount of \$9,849. It's impact involved all schools with an emphasis on students with limited English proficiency. The program also employed one assistant.

Carroll County Public Schools received a federal grant titled Title I, Part C, Vocational Ed Basic Grant Assistance, which was originally awarded for the period July 1, 2012 through June 30, 2013. This grant was awarded in the amount of \$12,614. It's impact involved the high school and their associated staff.

Carroll County Public Schools received a federal grant titled Champions for a Drug Free Carroll County, which was originally awarded for the period of September 30, 2012 through September 29, 2013. This grant was awarded in the amount of \$125,000. This grant funds (1) Coordinator and (1) Assistant Coordinator position. The grant objectives are to establish and strengthen collaboration among communities and reduce substance abuse among youth and, over time, among adults.

Carroll County Public Schools received a federal grant titled Title I, School Improvement Funds, which was originally awarded for the period of July 1, 2012 through September 30, 2014. This grant was awarded in the amount of \$50,000 and has been used to fund Laying the Foundation training and associated expenses.

Carroll County Public Schools received a federal grant titled Race to the Top, which was originally awarded for the period of July 1, 2012 through September 30, 2015. The grant was awarded in the amount of \$18,198 and the grant objectives include advancing reforms in four designated areas.

Carroll County Public Schools received a federal grant titled 21st Century Community Learning Centers, which was originally awarded for the period of September 10, 2012 through September 30, 2013. The grant was awarded in the amount of \$67,500. It provides after school programs for students in 4th grade through 8th grade.

Carroll County Public Schools received a federal grant titled 21st Century Community Learning Centers, which was originally awarded for the period of February 1, 2013 through September 30, 2014. The grant was awarded in the amount of \$150,000. It provides after school programs for Kindergarten through 5th grade students.

LOCAL INFORMATION

Carroll County has an estimated 10,900 residents per the 2012 census. Carrollton is the county seat of Carroll County and was established in 1838. It is bordered on the west by the Kentucky River and the north by the Ohio River. The city has a Mayor/Council form of government.

CONTACTING THE CARROLL COUNTY SCHOOL DISTRICT MANAGEMENT

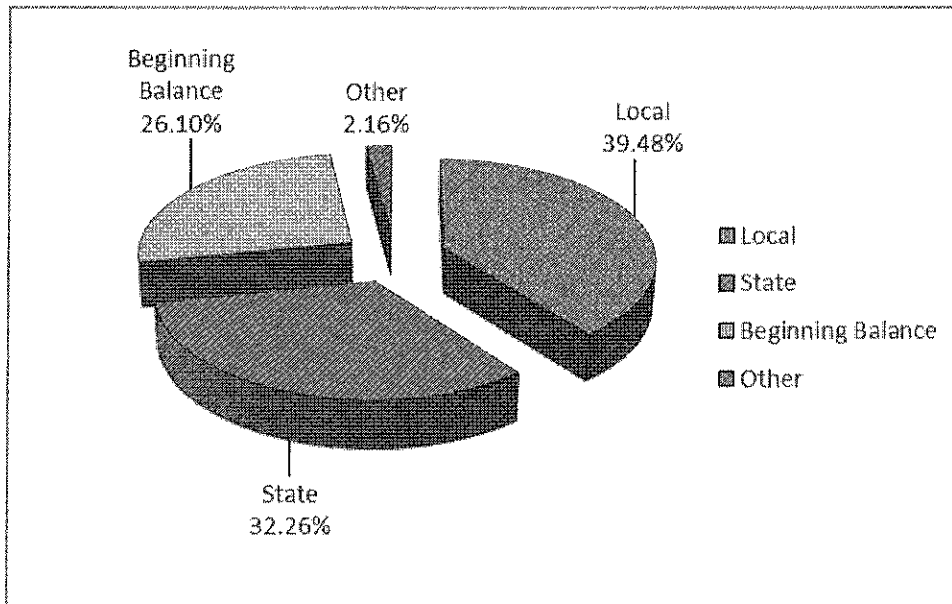
Questions regarding this report should be directed to the Dr. Lisa James, Superintendent or the Mr. Jon Conrad, Chief Financial Officer, by phone (502) 732-7070 or by mail at 813 Hawkins Street, Carrollton, Kentucky 41008.

**CARROLL COUNTY PUBLIC SCHOOL DISTRICT – CARROLLTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

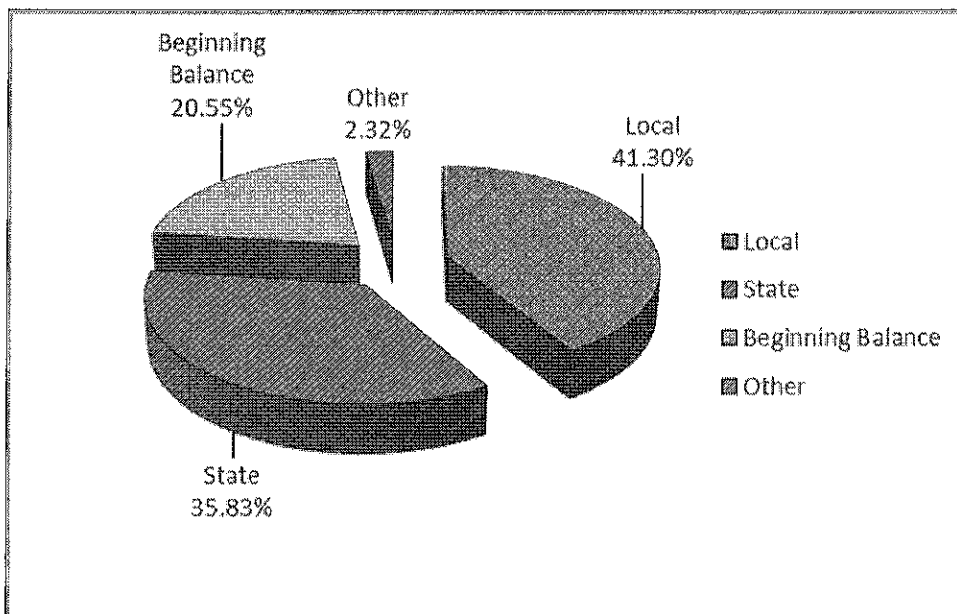
General Fund Revenue (Chart 1)

General Fund revenue sources are graphically displayed below. Note that the beginning balance is 26.10 % of revenue in 2013 compared to 20.55% of revenue in 2012. This is due to revenue exceeding expenditures at the end of fiscal year 2012.

2013 General Fund Revenue



2012 General Fund Revenue

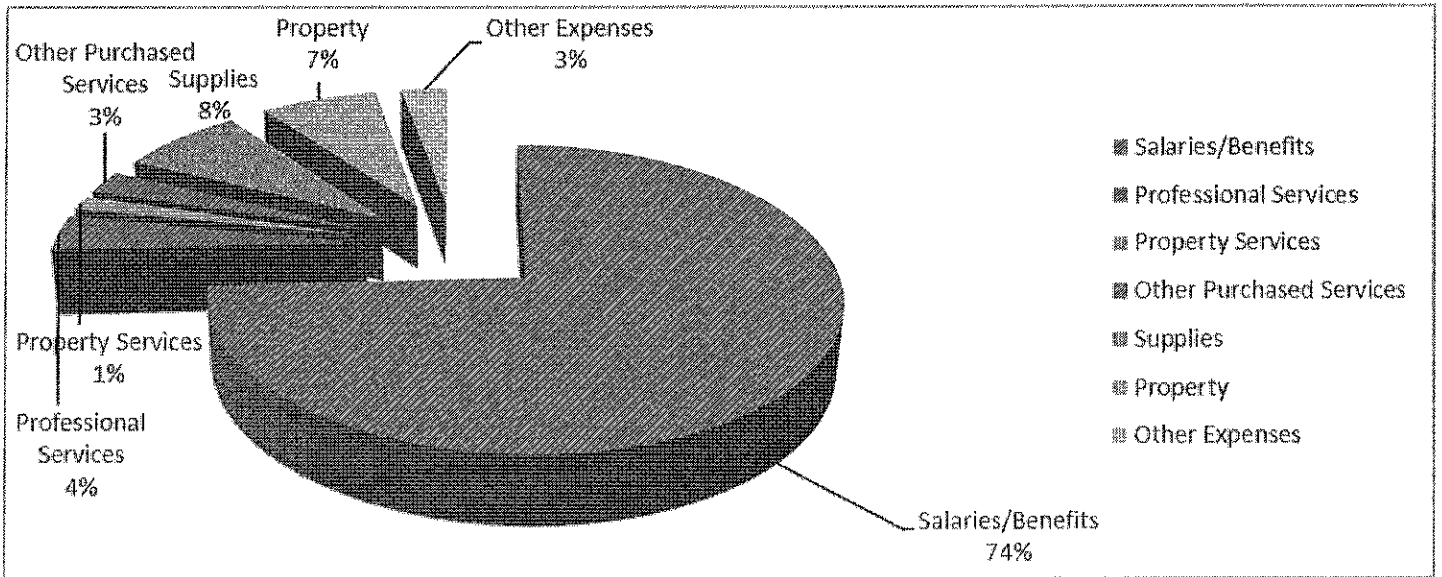


**CARROLL COUNTY PUBLIC SCHOOL DISTRICT – CARROLLTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

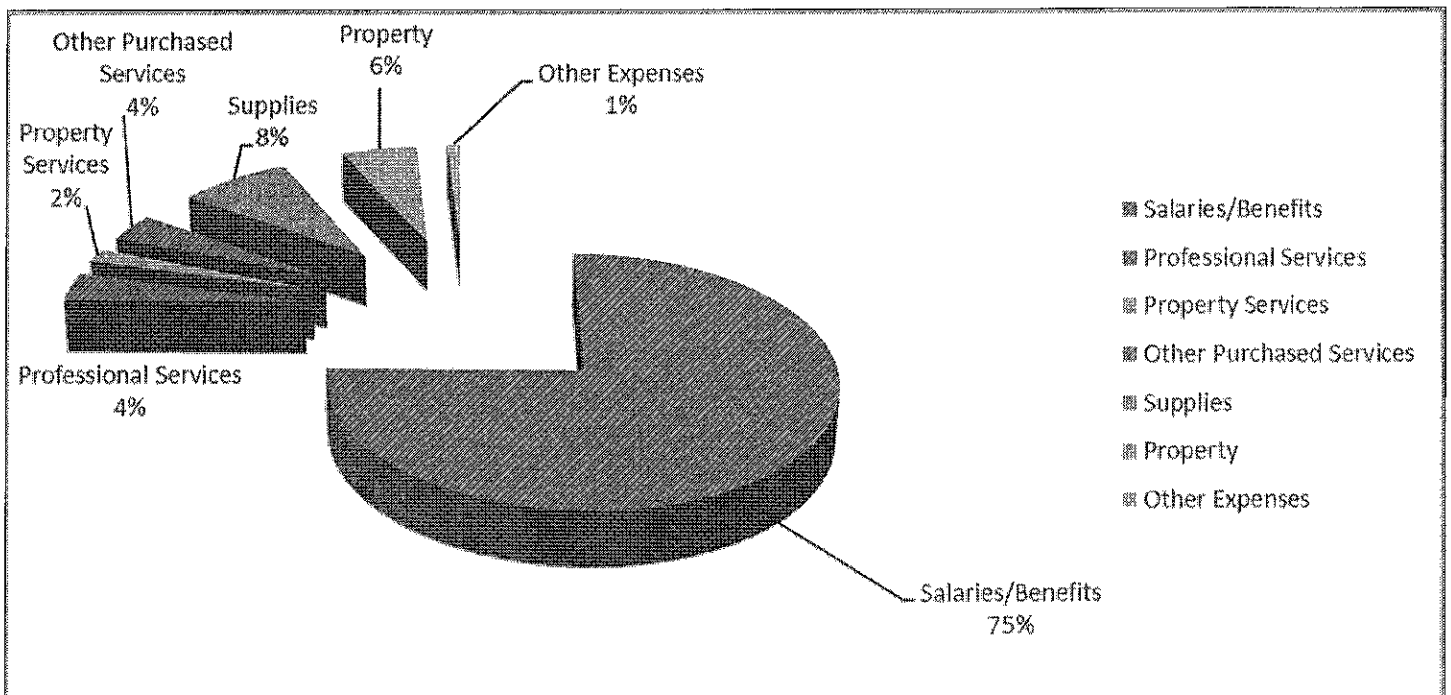
Expense Allocation by Type (Chart 2)

A graphical representation of expenses by type is illustrated for 2013 and 2012.

2013 General Fund Expenses by Type



2012 General Fund Expenses by Type

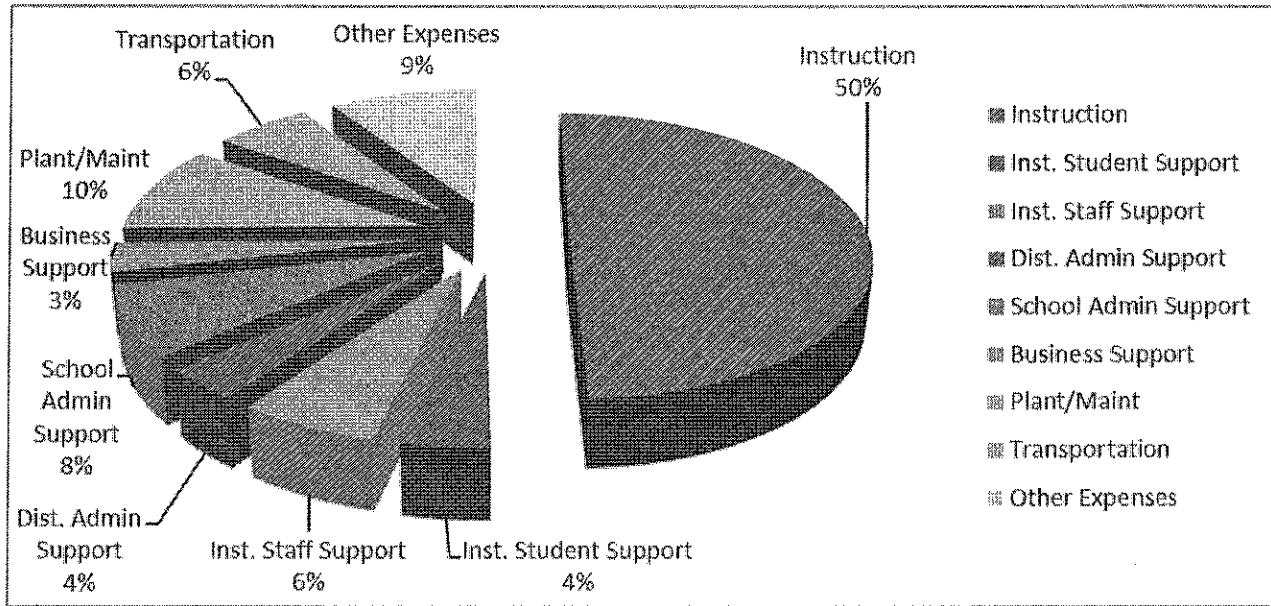


**CARROLL COUNTY PUBLIC SCHOOL DISTRICT – CARROLLTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

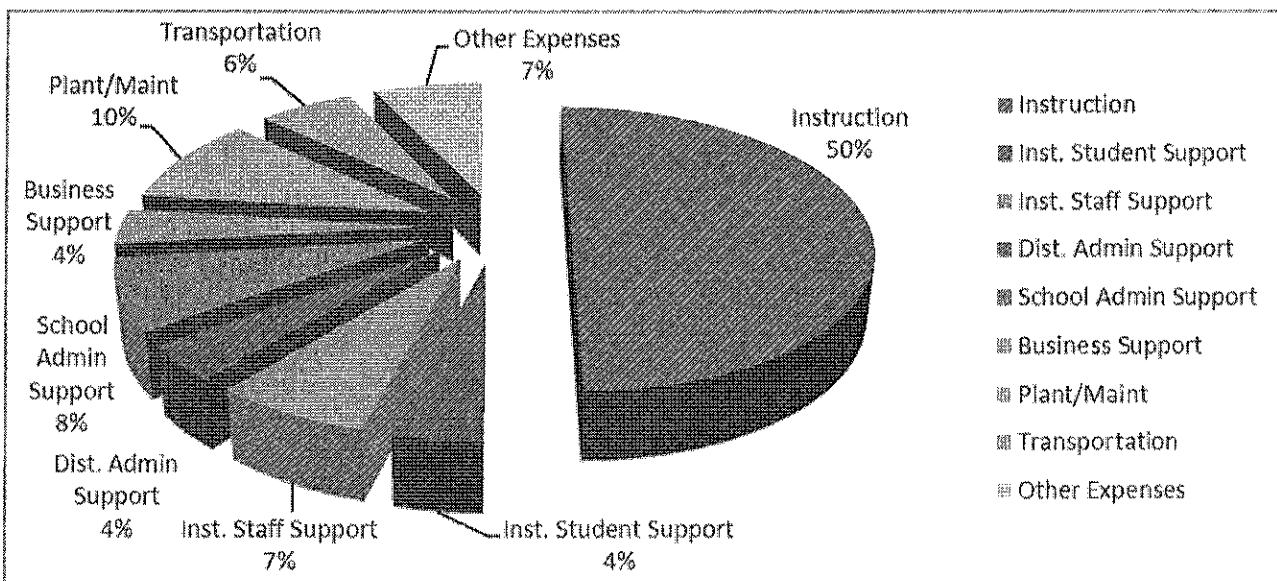
Expense Allocation by Function (Chart 3)

A graphical representation of expenses by function is illustrated for 2013 and 2012. The expense functions only had slight variances between 2013 and 2012.

2013 General Fund Expenses by Function



2012 General Fund Expenses by Function



CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
STATEMENT OF NET POSITION
June 30, 2013

	Governmental Funds	Business-type Activities	Total
ASSETS:			
CURRENT ASSETS			
Cash & Cash Equivalents	\$ 9,627,099	\$ -	\$ 9,627,099
Taxes Receivable	65,142	-	65,142
Due from Other Governments			
State	2,769	-	2,769
Federal	404,631	65,873	470,504
Accounts Receivable	694,193	-	694,193
Inventories	-	26,431	26,431
Prepaid Expense	254,590	-	254,590
TOTAL CURRENT ASSETS	\$ 11,048,424	\$ 92,304	\$ 11,140,728
NONCURRENT ASSETS			
Capital Assets, Net of			
Accumulated Depreciation	\$ 25,963,150	\$ 274,709	\$ 26,237,859
Bond Issuance Costs (Net)	200,309	-	200,309
TOTAL NONCURRENT ASSETS	\$ 26,163,459	\$ 274,709	\$ 26,438,168
TOTAL ASSETS	\$ 37,211,883	\$ 367,013	\$ 37,578,896
LIABILITIES:			
CURRENT LIABILITIES			
Bank Overdraft	\$ 158,928	\$ 16,912	\$ 175,840
Accounts Payable	243,750	1,675	245,425
Claim Payable - KSBIT	99,302	-	99,302
Deferred Revenue	244,592	-	244,592
Accrued Compensated Absences	50,436	-	50,436
Accrued Interest	88,234	-	88,234
Current Portion of Long-term Debt	833,939	-	833,939
TOTAL CURRENT LIABILITIES	\$ 1,719,181	\$ 18,587	\$ 1,737,768
NONCURRENT LIABILITIES			
Accrued Compensated Absences	\$ 201,744	\$ -	\$ 201,744
Obligations Under Capital Leases	10,010,679	-	10,010,679
Deferred Loss - Early Debt Retirement	(74,277)	-	(74,277)
TOTAL NONCURRENT LIABILITIES	\$ 10,138,146	\$ -	\$ 10,138,146
TOTAL LIABILITIES	\$ 11,857,327	\$ 18,587	\$ 11,875,914
NET POSITION:			
Net Investment in Capital Assets	\$ 15,393,118	\$ 274,709	\$ 15,667,827
Restricted for:			
Capital Expenditures/Debt Service	5,259,510	-	5,259,510
Unrestricted	4,701,928	73,717	4,775,645
TOTAL NET POSITION	\$ 25,354,556	\$ 348,426	\$ 25,702,982

See accompanying notes to the basic financial statements

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions
GOVERNMENTAL ACTIVITIES:				
Instruction	\$ 13,026,772	\$ 150,966	\$ 4,869,429	\$ 352,780
Support Services:				
Student	832,366	-	252,936	-
Instructional Staff	1,231,311	-	407,777	-
District Administration	642,452	-	70,608	-
School Administration	1,385,048	-	254,195	-
Business Support Service	618,981	-	180,139	-
Plant Operation & Management	1,842,448	-	215,855	-
Student Transportation	1,314,600	-	246,163	-
Other Instructional	4,251	-	-	-
Food Service Operation	41,949	-	37,988	-
Community Service	195,689	-	195,279	-
Other - Consortium Expenses	178,304	-	178,304	-
Interest & Fiscal Charges on Long-term Debt	518,804	-	-	528,008
TOTAL GOVERNMENTAL ACTIVITIES	\$ 21,832,975	\$ 150,966	\$ 6,908,673	\$ 880,788
BUSINESS-TYPE ACTIVITIES:				
School Food Service	\$ 1,381,852	\$ 330,336	\$ 1,038,357	\$ -
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 1,381,852	\$ 330,336	\$ 1,038,357	\$ -
TOTAL	\$ 23,214,827	\$ 481,302	\$ 7,947,030	\$ 880,788

General Revenues:

Taxes:

Property Taxes

Motor Vehicle Taxes

Utility Taxes

Revenue in Lieu of Tax

Investment Earnings

Intergovernmental Revenues

State Aid Formula Grants

Gain (Loss) on Disposition of Assets

Total General Revenues

Change in Net Position

Net Position - July 1

Net Position - June 30

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business- type Activities	Total
\$ (7,653,597)	\$ -	\$ (7,653,597)
(579,430)	-	(579,430)
(823,534)	-	(823,534)
(571,844)	-	(571,844)
(1,130,853)	-	(1,130,853)
(438,842)	-	(438,842)
(1,626,593)	-	(1,626,593)
(1,068,437)	-	(1,068,437)
(4,251)	-	(4,251)
(3,961)	-	(3,961)
(410)	-	(410)
-	-	-
9,204	-	9,204
<u>\$ (13,892,548)</u>	<u>\$ -</u>	<u>\$ (13,892,548)</u>
 \$ -	 \$ (13,159)	 \$ (13,159)
<u>\$ -</u>	<u>\$ (13,159)</u>	<u>\$ (13,159)</u>
<u>\$ (13,892,548)</u>	<u>\$ (13,159)</u>	<u>\$ (13,905,707)</u>
 \$ 4,217,010	 \$ -	 \$ 4,217,010
302,552	-	302,552
3,120,032	-	3,120,032
915,620	-	915,620
2,912	7	2,919
7,052,010	-	7,052,010
80,780	-	80,780
<u>\$ 15,690,916</u>	<u>\$ 7</u>	<u>\$ 15,690,923</u>
<u>\$ 1,798,368</u>	<u>\$ (13,152)</u>	<u>\$ 1,785,216</u>
23,556,188	361,578	23,917,766
<u>\$ 25,354,556</u>	<u>\$ 348,426</u>	<u>\$ 25,702,982</u>

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General Fund	Special Revenue (Grant) Funds	Other Non-major Governmental Funds	Total
ASSETS:				
Cash and Cash Equivalents	\$ 7,553,376	\$ -	\$ 2,073,723	\$ 9,627,099
Accounts Receivable				
Taxes - Current	54,450	-	-	54,450
Taxes - Delinquent	10,692	-	-	10,692
Other	582,086	-	-	582,086
Intergovernmental - State	-	2,769	-	2,769
Intergovernmental - Federal	-	404,631	-	404,631
Prepaid Expense	254,590	-	-	254,590
TOTAL ASSETS	\$ 8,455,194	\$ 407,400	\$ 2,073,723	\$ 10,936,317
LIABILITIES, AND FUND BALANCES:				
LIABILITIES				
Bank Overdraft	\$ -	\$ 158,928	\$ -	\$ 158,928
Accounts Payable	225,157	3,880	14,713	243,750
Deferred Revenues	-	244,592	-	244,592
TOTAL LIABILITIES	\$ 225,157	\$ 407,400	\$ 14,713	\$ 647,270
FUND BALANCES				
Nonspendable	\$ 254,590	\$ -	\$ -	\$ 254,590
Restricted for				
KSFCC Escrow	-	-	1,463,074	1,463,074
Capital Projects	3,200,500	-	595,936	3,796,436
Committed for:				
Outstanding Purchase Orders	103,222	-	-	103,222
Sick Leave	84,500	-	-	84,500
Assigned				
Outstanding Purchase Orders	205,693	-	-	205,693
Unassigned	4,381,532	-	-	4,381,532
TOTAL FUND BALANCES	\$ 8,230,037	\$ -	\$ 2,059,010	\$ 10,289,047
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,455,194	\$ 407,400	\$ 2,073,723	\$ 10,936,317

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2013**

Total Governmental Fund Balances	\$ 10,289,047
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the net fixed assets is \$43,149,526 and the accumulated depreciation is \$17,186,376.	25,963,150
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Revenues that do not provide current financial resources are not reported as revenues in the funds. Amounts due on such revenues but not received subsequent to year end within 60 days have been reported as receivable in the Statement of Net Position.	112,107
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Expenses (claims) that have been incurred prior to year end but will not be paid within 60 days have been reported as payable in the Statement of Net Position.	(99,302)
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Bond issuance costs of general obligation debt are not financial resources and therefore are not reported in the funds. Bond issuance costs are \$319,849 net of accumulated amortization of \$119,540.	200,309
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Capital leases payable	\$ 10,844,618	
Accrued interest on capital leases	88,234	
Compensated absences	252,180	
		(11,185,032)

Net costs associated with the early retirement of debt are deferred and amortized over the remaining life of the defeased debt. Total costs are \$159,155 net of accumulated amortization of \$84,878.	74,277
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Net Position of Governmental Activities	\$ 25,354,556
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CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	General Fund	Special Revenue (Grant) Funds	Other Non-major Governmental Funds	Totals
REVENUES:				
From Local Sources:				
Taxes:				
Property	\$ 3,822,688	\$ -	\$ 394,322	\$ 4,217,010
Motor Vehicle	302,552	-	-	302,552
Utilities	3,120,032	-	-	3,120,032
Revenue in Lieu of Tax	915,620	-	-	915,620
Earnings on Investments	2,428	-	484	2,912
Other Local Revenues	252,817	86,396	-	339,213
Intergovernmental - State	6,667,322	569,295	384,688	7,621,305
Intergovernmental - Direct Federal - Build America Bonds	-	-	99,602	99,602
Intergovernmental - Direct Federal - Other	6,165	2,272,149	-	2,278,314
Intergovernmental - Indirect Federal	150	1,405,486	-	1,405,636
Intergovernmental - State On Behalf Payments	2,819,960	-	428,406	3,248,366
TOTAL REVENUES	\$ 17,909,734	\$ 4,333,326	\$ 1,307,502	\$ 23,550,562
EXPENDITURES:				
Current:				
Instruction	\$ 8,733,976	\$ 3,100,857	\$ -	\$ 11,834,833
Support Services				
Student	700,153	122,129	-	822,282
Instructional Staff	1,102,969	34,253	-	1,137,222
District Administration	636,187	-	-	636,187
School Administration	1,383,211	-	-	1,383,211
Business Support Services	579,041	37,793	-	616,834
Plant Operations & Maintenance	1,757,349	45,844	-	1,803,193
Student Transportation	1,062,417	113,866	-	1,176,283
Other Instructional	4,251	-	-	4,251
Food Service Operation	3,961	37,988	-	41,949
Community Service	-	195,279	-	195,279
Other - Consortium Expenditures	-	178,304	-	178,304
Facilities Acquisition & Construction	1,288,498	523,943	178,984	1,991,425
Debt Service				
Principal Retirement	275,080	-	705,000	980,080
Interest and Fiscal Charges	8,876	-	477,743	486,619
TOTAL EXPENDITURES	\$ 17,535,969	\$ 4,390,256	\$ 1,361,727	\$ 23,287,952
Excess (Deficit) of Revenues over Expenditures	\$ 373,765	\$ (56,930)	\$ (54,225)	\$ 262,610
OTHER FINANCING SOURCES (USES):				
Capital Lease Proceeds	\$ 174,340	\$ -	\$ -	\$ 174,340
Transfers In	-	56,930	654,735	711,665
Transfers Out	(56,930)	-	(654,735)	(711,665)
Sale of Assets	10,577	-	-	10,577
TOTAL OTHER FINANCING SOURCES (USES):	\$ 127,987	\$ 56,930	\$ -	\$ 184,917
Excess (Deficit) of Revenues & Other Financing Sources over Expenditures & Other Financing Uses	\$ 501,752	\$ -	\$ (54,225)	\$ 447,527
Fund Balance, July 1, 2012	7,728,285	-	2,113,235	9,841,520
Fund Balance June 30, 2013	\$ 8,230,037	\$ -	\$ 2,059,010	\$ 10,289,047

CARROLL COUNTY, KENTUCKY BOARD OF EDUCATION
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds	\$ 447,527
<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capitalized Expenditures	1,991,425
Depreciation Expense	(1,386,863)
Repayment of bonded debt and lease obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	980,080
Some expense reported in the Statement of Activities, such as compensated absences and accrued claims, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(97,480)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal. This is the difference in the amount of the gain/loss vs. the proceeds received on asset disposals.	70,203
In the Statement of Activities, bond issuance costs are deferred and amortized over the life of the bond issue. In the governmental funds statement, expenditures are measured by the amount of financial resources used (the amounts actually paid). Bond issuance costs were amortized during the year. Amortization of bond issuance costs during the year was \$21,343.	(21,343)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	4,994
In the Statement of Activities costs associated with the early retirement of debt (1997 and 1999 Revenue Bonds) are deferred and amortized over the remaining life of the defeased debt.	(15,835)
Technology Equipment acquired this year was financed with a capital lease. The amount financed by the lease is reported in the governmental funds as a source of financing. Capital leases are not reported as revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position.	(174,340)
Change in net position of governmental activities	<u>\$ 1,798,368</u>

CARROLL COUNTY, KENTUCKY BOARD OF EDUCATION
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2013

	<u>Enterprise Fund - School Food Service</u>
ASSETS	
Current Assets	
Accounts Receivable	\$ 65,873
Inventories	<u>26,431</u>
Total Current Assets	<u>\$ 92,304</u>
 NONCURRENT ASSETS	
Capital Assets, Net of	
Accumulated Depreciation	\$ 274,709
Total Noncurrent Assets	<u>\$ 274,709</u>
 Total Assets	 <u>\$ 367,013</u>
 LIABILITIES	
Current Liabilities	
Bank Overdraft	\$ 16,912
Accounts Payable	<u>1,675</u>
Total Current Liabilities	<u>\$ 18,587</u>
 NET POSITION	
Net Investment in Capital Assets	\$ 274,709
Unrestricted	<u>73,717</u>
Total Net Position	<u><u>\$ 348,426</u></u>

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2013

	Enterprise Fund - School Food Service
OPERATING REVENUES:	
Lunchroom Sales	\$ 301,289
Other Revenues	29,047
	<hr/>
TOTAL OPERATING REVENUES	\$ 330,336
	<hr/>
OPERATING EXPENSES:	
Salaries and Wages	\$ 427,726
Employee Benefits	248,694
Materials and Supplies	638,833
Depreciation	28,348
Other Operating Expenses	38,251
	<hr/>
TOTAL OPERATING EXPENSES	\$ 1,381,852
	<hr/>
NET OPERATING INCOME (LOSS)	\$ (1,051,516)
	<hr/>
NON-OPERATING REVENUES (EXPENSES)	
Federal Grants	\$ 841,106
State Matching	10,790
Interest Income	7
Commodities Received	67,112
State On-Behalf Payments Received	119,349
	<hr/>
TOTAL NON-OPERATING REVENUES (EXPENSES)	\$ 1,038,364
	<hr/>
CHANGE IN NET POSITION	\$ (13,152)
	<hr/>
Net Position, Beginning of Year	361,578
	<hr/>
Net Position, Ending of Year	\$ 348,426
	<hr/>

**CARROLL COUNTY, KENTUCKY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
June 30, 2013**

	<u>Enterprise Fund School Food Service</u>
CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES	
Received from User Charges	\$ 301,267
Received from Interfund Services Provided	29,046
Payments to Employees for Services	(427,726)
Payments to Suppliers for Goods and Services	(551,182)
Payments for Other Operating Expenses	(167,596)
Net Cash Used by Operating Activities	<u>\$ (816,191)</u>
 CASH FLOWS FROM (USED BY) NONCAPITAL FINANCING ACTIVITIES	
Nonoperating Grants Received	\$ 797,375
Net Cash From Noncapital Operating Activities	<u>\$ 797,375</u>
 CASH FLOWS FROM (USED BY) CAPITAL FINANCING ACTIVITIES	
Acquisition of Equipment	\$ (22,709)
Net Cash From Capital Financing Activities	<u>\$ (22,709)</u>
 CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES	
Interest on Investments	\$ 7
Net Cash From Investing Activities	<u>\$ 7</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	\$ (41,518)
 Cash and Cash Equivalents, Beginning	<u>41,518</u>
 Cash and Cash Equivalents, Ending	<u><u>\$ -</u></u>

**CARROLL COUNTY, KENTUCKY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUND
June 30, 2013**

	<u>Enterprise Fund School Food Service</u>
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:	
Operating Income (Loss)	\$ (1,051,516)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used by Operating Activities:	
Depreciation	28,348
Commodities Used	67,112
State On Behalf Payments Received	119,349
Changes in Assets and Liabilities:	
Accounts Receivable (Increase) Decrease	(22)
Inventories (Increase) Decrease	2,152
Accounts Payable Increase (Decrease)	<u>18,386</u>
Net Cash Used by Operating Activities	<u>\$ (816,191)</u>

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the district received \$67,112 of food commodities from the U.S. Department of Agriculture, and the state provided employee benefits in the amount of \$119,349.

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2013

ASSETS

Cash and Cash Equivalents	\$ 159,191
Accounts Receivable	<u>3,101</u>
Total Assets	<u><u>\$ 162,292</u></u>

LIABILITIES

Accounts Payable	\$ 6,218
Due to Student Groups	<u>156,074</u>
Total Liabilities	<u><u>\$ 162,292</u></u>

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The Carroll County, Kentucky, Board of Education complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting principles are discussed in subsequent subsections of this Note.

The Carroll County Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Carroll County School District (District). The Board receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Carroll County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the Board include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements.

Carroll County School District Finance Corporation - On June 27, 1991, the Carroll County, Kentucky, Board of Education resolved to authorize the establishment of the Carroll County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Carroll County Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions.

The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

Fund financial statements report detailed information about the District. Fund financial statements are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund types.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial assistance programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by proprietary funds).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 - 3. The School Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

II. Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

III. Proprietary Funds (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contributions of commodities from the USDA. The School Food Service Fund is a major fund.

IV. Fiduciary Fund Type (includes agency and trust funds)

The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with *Uniform Program of Accounting for School Activity Funds*.

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available as described above.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, such revenues are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Therefore grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. The fair value of donated commodities used during the year is reported in the proprietary fund’s statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are included in the School Food Service Fund’s inventories.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds-By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund-By Operating and Nonoperating

The District adheres to the use restrictions established by Kentucky Revised Statutes when expenses are incurred for which both restricted and unrestricted net assets are available. The District has no policy defining which resources (restricted or unrestricted) to use first.

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditures/Expenses (Continued)

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are due by December 31. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. Taxes are allocated as collected or transferred to the appropriate fund prior to year end.

The property tax rates assessed for the year ended June 30, 2013, were \$.565 cents per \$100 for real property, \$.565 cents per \$100 valuation for business personal property and \$.557 per \$100 valuation for motor vehicles. These rates include the \$.062 cents per \$100 valuation required to produce the equivalent tax necessary for participation in the Kentucky School Facilities Construction Commission (KSFCC) and FSPK programs allocated to the FSPK Building Fund. The remaining property tax revenues are used to finance operations of the District's General Fund.

Utility Tax Revenues

The District levies a utility gross receipts tax in the amount of 3% of the gross receipts derived from the furnishing, within the county, of telephonic and telegraphic communication services, cablevision services, electric power, water, and natural, artificial and mixed gas. The Kentucky Department of Revenue collects this tax and remits to the state's school districts.

On-Behalf Payments

Payments made by the State of Kentucky for Kentucky teacher retirement, fringe benefits, and network services (Kentucky Educational Network Services, Munis Financial Software and Services and McAfee Virus Protection), and payments made by the Kentucky School Facilities Construction Commission for debt service are included in the government-wide and governmental fund financial statements. Payments for the year ended June 30, 2013 amount to \$1,066,990, \$1,824,041, \$54,068 and \$428,406, respectively. \$119,349 of the on-behalf payments were allocated to the School Food Service Fund. All other on-behalf payments were recorded in the general fund.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

The cost of consumable materials and supplies on hand are immaterial to the financial statements, and the District has therefore chosen to report these items as expenditures/expenses at the time of purchase with the exception of the proprietary fund.

The school food service fund (proprietary fund) records its inventory at cost or donated value (commodities).

Prepaid Assets

Payments made that will benefit periods beyond year end are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2013**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 2003.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The ranges of estimated useful lives by type of asset are as follows:

Description	Governmental Activities Estimated Lives
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Other	10 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 17.5%-30% of the value of their accumulated sick leave, depending on the number of days accumulated.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments (the liability attributable to the District's employees meeting retirement eligibility requirements).

The entire compensated absence liability is reported on the government-wide financial statements.

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accumulated Unpaid Sick Leave Benefits (Continued)

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded as "accrued compensated absences" in the general fund. The noncurrent portion of the liability is not reported.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists of bonded debt and lease obligations, and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets-Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position-Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position-All other net position that does not meet the definition of "restricted or "net investment in capital assets."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

- a. Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund).
- b. Restricted – amounts that can be used only for specific purposes because of (a) constitutional provisions or enabling legislation or (b) externally imposed constraints.
- c. Committed – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- d. Assigned – amounts intended to be used for specific purposes but that do not meet the criteria to be classified as restricted or committed. This is the residual fund balance classification for all governmental funds except the general fund.

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2013**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

The Board of Education is the District's highest level of decision making authority. Formal approval of a motion made at a public meeting of the Board of Education is necessary to establish (and modify or rescind) a fund balance commitment or assignment.

- e. Unassigned – this is the residual classification for the general fund.

Proprietary fund equity is classified the same as in the government-wide statements.

NOTE B - ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C - CASH AND CASH EQUIVALENTS AND INVESTMENTS

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Kentucky or political subdivision debt obligations, or surety bonds. As required by the Financial Institutions Reform, Recovery and Enforcement Act of 1989, all financial institutions pledging collateral to the Board of Education must have a written collateral agreement approved by the board of directors or loan committee.

Statutes authorize the Board to invest in interest bearing deposits in national or state banks chartered in Kentucky, certificates of deposit, repurchase agreements, other available bank investments, and municipal investment pools provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. In addition, the Board may invest in direct debt securities of the United States and mutual funds as described in KRS 66.480.

Carroll County Kentucky, Board of Education's policies regarding deposits of cash are in accordance with the state statutes. The table presented below is designed to disclose the level of custody credit risk assumed by the Board based upon how its deposits were insured or secured with collateral at June 30, 2013. The categories of credit risk are defined as follows:

Category 1 – Insured by FDIC or collateralized with securities held by the District (public trust) or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name; or collateralized with no written or approved collateral agreement.

Type of Deposits	Total Bank Balance	Custody Credit Risk Category			Total Carrying Value
		1	2	3	
Time/Savings Deposits	\$ 10,529,560	\$ 250,000	\$ 10,279,560	\$ -	\$ 9,610,450
Total Deposits	\$ 10,529,560	\$ 250,000	\$ 10,279,560	\$ -	\$ 9,610,450

Cash and cash equivalents and investments at June 30, 2013, consisted of the following:

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2013**

NOTE C - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

	<u>Bank Balance</u>	<u>Book Balance</u>
U.S. Bank Checking and Money Market Accounts	\$ 10,363,336	\$ 9,451,209
U.S. Bank - Agency Funds (School Activity Accounts)	166,224	159,191
Cash on Hand	-	50
	<u>\$ 10,529,560</u>	<u>\$ 9,610,450</u>

At June 30, 2013, \$7,553,376 was attributable to the General Fund.

NOTE D - RISK MANAGEMENT

The Board is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The Board has purchased certain policies that are retrospectively rated which include Worker's Compensation insurance.

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. If the Board were to fail to comply with this requirement, the risk of a substantial loss could exist.

NOTE E- CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013 was as follows:

	<u>Balance at July 1, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2013</u>
<u>Governmental Activities:</u>				
Land	\$ 560,439	\$ -	\$ -	\$ 560,439
Land Improvements	74,553	23,684	-	98,237
Buildings & Improvements	31,165,033	4,885	-	31,169,918
Machinery & Equipment	9,743,982	1,785,278	(385,906)	11,143,354
Construction in Process	-	177,578	-	177,578
Totals at Historical Cost	<u>\$ 41,544,007</u>	<u>\$ 1,991,425</u>	<u>\$ (385,906)</u>	<u>\$ 43,149,526</u>
Less: Accumulated Depreciation				
Buildings & Improvements	\$ 9,516,973	\$ 650,506	\$ -	\$ 10,167,479
Machinery & Equipment	6,626,542	736,357	(344,002)	7,018,897
Total Accumulated Depreciation	<u>\$ 16,143,515</u>	<u>\$ 1,386,863</u>	<u>\$ (344,002)</u>	<u>\$ 17,186,376</u>
Governmental Activities - Capital Assets, Net	<u>\$ 25,400,492</u>	<u>\$ 604,562</u>	<u>\$ (41,904)</u>	<u>\$ 25,963,150</u>
Depreciation Expense was charged to governmental activities as follows:				
Instructional		\$ 1,092,637		
Support				
Student Support		10,084		
Staff Support		94,089		
District Administration		8,087		
School Administration		1,837		
Business Support Services		2,147		
Plant Operations & Maintenance		39,255		
Student Transportation		138,317		
Community Services		410		
Total Depreciation Expense		<u>\$ 1,386,863</u>		

\$24,499,205 of assets are recorded under capital lease obligations. Accumulated depreciation of \$8,233,930 and \$507,590 associated with these assets is included under buildings and improvements, and machinery and equipment, respectively. Land and construction in process are capital assets not being depreciated.

	<u>Balance at July 1, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2013</u>
<u>Business-type Activities:</u>				
Machinery & Equipment	\$ 755,377	\$ 22,709	\$ -	\$ 778,086
Less: Accumulated Depreciation	(475,029)	(28,348)	-	(503,377)
Business-type Capital Assets, Net	<u>\$ 280,348</u>	<u>\$ (5,639)</u>	<u>\$ -</u>	<u>\$ 274,709</u>

Depreciation Expense was charged to the Proprietary Fund-School Food Service Enterprise Fund in the amount of \$28,348.

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2013

NOTE F – INTEREST EXPENSE

Interest expense (modified accrual basis) associated with bonded debt and capital lease obligations of the governmental funds was \$486,619. Interest and fiscal charges on long term debt as reported in the government-wide statement of activities of \$518,804 includes an adjustment for accrued interest, the amortization associated with bond issuance costs and the amortization of deferred losses associated with bond refundings.

NOTE G – LONG-TERM DEBT

Governmental Activities:

As of June 30, 2013, the governmental long-term debt of the financial reporting entity consisted of the following:

Capital Lease Obligations:

Capital lease obligations for school building improvements, technology and transportation equipment:

Current Portion	\$ 833,939
Noncurrent Portion	10,010,679
Total Capital Lease Obligations	<u>\$ 10,844,618</u>

Accrued Compensated Absences:

Current Portion	\$ 50,436
Noncurrent Portion	201,744
Total	<u>\$ 252,180</u>

Business-type Activities:

NONE

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the fiscal year ended June 30, 2013:

Type of Debt

Governmental Activities	Balances July 1, 2012	Additions	Reductions	Balances June 30, 2013
Obligations Under Capital Leases	\$ 11,650,359	\$ 174,340	\$ 980,081	\$ 10,844,618
Accrued Compensated Absences	283,407	32,438	63,665	252,180
Total	<u>\$ 11,933,766</u>	<u>\$ 206,778</u>	<u>\$ 1,043,746</u>	<u>\$ 11,096,798</u>

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2013

NOTE G – LONG-TERM DEBT (Continued)

Bonded Debt and Lease Obligations

The amount shown in the accompanying financial statements as lease obligations represents the Board's future obligations to make lease payments relating to the bonds issued by the Carroll County, Kentucky, School District Finance Corporation and the Kentucky Interlocal School Transportation Association (KISTA), and an equipment lease with Apple, Inc. aggregating \$10,655,000, \$131,512 and \$58,106, respectively.

The Carroll County Board of Education has entered into agreements with the Kentucky School Facilities Construction Commission (KSFCC) whereby, the KSFCC agreed to participate with the Board in the repayment of Carroll County, Kentucky, School Building Revenue Bonds. The KSFCC has agreed to contribute up to \$437,136 annually for this assistance. This commitment by the KSFCC is limited to the biennial period of the Commonwealth of Kentucky. By the execution of the participation agreement, the Commission has expressed its present intention to continue to pay the agreed participation in each successive biennial period until the retirement of all the bonds, but such execution does not obligate the Commission to do so. The Carroll County Board of Education transferred amounts sufficient to redeem its share of the 2012-13 obligation.

On November 8, 2007, the Carroll County (Kentucky) School District Finance Corporation issued \$990,000, 2007 School Building Revenue Bonds with interest rates of 3.4%-3.75% to advance refund \$920,000 of its 1999 Revenue Bonds outstanding. The 1999 Bonds were issued at 4.25%-5.45%. The 1999 bonds were called on October 1, 2009. As a result of the advance refunding, the District reduced its total debt service requirements by \$67,000, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$52,214. Final maturity on the 2007 issue is October 1, 2019. In the Statement of Net Position, the net costs associated with the early debt retirement of the 1999 issue are deferred and amortized over the remaining life of the defeased debt. The amount deferred is reported as a decrease (contra liability) to the book value of the new debt issued to finance the refunding. Total deferred costs were \$41,857. Amortization for the year was \$3,488 and is included as a component of interest expense.

On March 11, 2008, the Carroll County (Kentucky) School District Finance Corporation issued \$3,135,000, 2008 School Building Revenue Bonds with interest rates of 2.5%-3.2% to advance refund \$2,950,000 of its 1997 Revenue Bonds outstanding. The 1997 Bonds were issued at 3.8%-5.0%. The 1997 bonds were called on August 1, 2008. As a result of the advance refunding, the District reduced its total debt service requirements by \$187,851, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$160,793. Final maturity on the 2008 issue is August 1, 2017. In the Statement of Net Position, the net costs associated with the early debt retirement of the 1997 issue are deferred and amortized over the remaining life of the defeased debt. The amount deferred is reported as a decrease (contra liability) to the book value of the new debt issued to finance the refunding. Total deferred costs were \$117,298. Amortization for the year was \$12,347 and is included as a component of interest expense.

On February 9, 2010, the Carroll County (Kentucky) School District Finance Corporation issued \$6,045,000 School Building Revenue Bonds, Series of 2010 with interest rates of 1.4% - 5.6%. These funds were used to finance the renovation and expansion of the Cartmell Elementary School. These bonds are taxable Build America Bonds. As such, the District will receive annual federal credit payments toward the debt service of approximately 40.6% of each interest payment due. The credit will amount to \$1,411,081 over the life of the issue.

The Carroll County Board of Education entered into a governmental lease agreement with Apple, Inc. on June 23, 2011 to lease approximately 300 MacBook computers for student use. Under the lease the Board was obligated to make payments of \$106,301 annually for three years with the final payment due June 23, 2013. No interest has been charged on the lease. Due to the timing of the lease agreement and the actual receipt of the equipment, the lease was disclosed but not included in the financial statements for the year ended June 30, 2011. The Board made two lease payments during the year ended June 30, 2012, and totally retired the lease in June, 2013.

The Board entered into a second governmental lease agreement with Apple, Inc. on July 15, 2012 to lease 460 iPads for student use. Under the lease the Board is obligated to make payments of \$59,210 annually for three years with the final payment due July 15, 2014. Interest is charged at 1.9% per annum. Two payments were made during the year ended June 30, 2013.

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2013

NOTE G – LONG-TERM DEBT (Continued)

Bonded Debt and Lease Obligations (Continued)

The General Fund, Facility Support Program (FSPK), and the SEEK Capital Outlay Fund are obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding. The original amount of the issue, the issue dates, and interest rates are summarized as follows:

<u>Issue</u>	<u>Original Amount</u>	<u>Outstanding</u>	<u>Interest Rates</u>
Issue of 1993	\$ 220,000	\$ 20,000	3.00 - 5.375%
Issue of 2004	395,000	260,000	3.00 - 4.90%
Issue of 2005	2,060,000	1,395,000	2.80 - 4.20%
Issue of 2006	725,000	560,000	4.25%
Issue of 2007 (Refunding Issue)	990,000	755,000	3.40 - 3.75%
Issue of 2008 (Refunding Issue)	3,135,000	2,010,000	2.50 - 3.20%
Issue of 2010	6,045,000	5,655,000	1.40 - 5.60%
Total	\$ 13,570,000	\$ 10,655,000	

The outstanding bonds may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2013, for debt service, (principal and interest) are as follows:

<u>Year</u>	<u>Carroll County Board of Education</u>		<u>Kentucky School Facilities Construction Commission</u>		<u>Federal Credit Payment</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	
2013-2014	\$ 451,243	\$ 208,167	\$ 273,757	\$ 149,125	\$ 98,421	\$ 1,180,713
2014-2015	451,705	195,885	273,295	139,429	96,828	1,157,142
2015-2016	471,486	183,190	283,514	129,365	95,259	1,162,814
2016-2017	482,666	169,070	292,334	118,634	93,274	1,155,978
2017-2018	492,863	154,445	292,137	107,449	91,242	1,138,136
2018-2019	485,761	142,464	274,239	96,169	89,037	1,087,670
2019-2020	496,773	127,324	268,227	85,190	83,761	1,061,275
2020-2021	320,697	115,270	234,303	74,817	78,046	823,133
2021-2022	330,554	106,284	244,446	64,674	71,959	817,917
2022-2023	340,075	96,900	254,925	54,194	65,642	811,736
2023-2024	353,736	86,722	266,264	42,855	58,817	808,394
2024-2025	361,647	76,122	248,353	30,924	51,729	768,775
2025-2026	378,560	65,303	106,440	20,041	44,467	614,811
2026-2027	385,944	53,421	99,056	15,165	36,473	590,059
2027-2028	399,240	40,991	60,760	11,126	28,063	540,180
2028-2029	411,953	27,887	68,047	7,785	19,208	534,880
2029-2030	429,037	14,226	70,963	3,974	9,800	528,000
	\$ 7,043,940	\$ 1,863,671	\$ 3,611,060	\$ 1,150,916	\$ 1,112,026	\$ 14,781,613

The Board has passed resolutions to participate in the Kentucky Interlocal School Transportation Association (KISTA) to assist it in financing its needs for the acquisition of school buses. KISTA was created to provide for the acquisition of such equipment through utilization of a pooled financing affected by the issuance of KISTA's Equipment Lease Revenue Bonds. KISTA has therefore acted as an issuing agency for the participating Boards of Education (including Carroll), which after providing for the expenses of the authorization, sale, and issuance of the bonds, the Board "leased" the equipment on a year to year basis at annual rentals sufficient to amortize the pro rata portion of the proceeds of the bonds.

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2013**

NOTE G – LONG-TERM DEBT (Continued)

Bonded Debt and Lease Obligations (Continued)

At original issue, the Board's pro rata portion of the KISTA Equipment Lease Revenue Bonds were as follows:

	<u>Principal Participation %</u>	<u>At Original Issue</u>	<u>Outstanding</u>	<u>Interest Rate</u>
2004 Series	1.05%	\$ 123,620	\$ 11,552	1.0% - 3.50%
2005 Series	1.00%	189,449	35,659	3.0% - 3.625%
2006 Second Series	1.23%	202,542	84,301	3.5% - 3.875%
		<u>\$ 515,611</u>	<u>\$ 131,512</u>	

Assuming the payments are made as scheduled, the Board's obligation to repay its pro rata portion of the Bonds outstanding at June 30, 2013, for debt service, (principal and interest) are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Retirement for Year</u>
2013-14	\$ 50,832	\$ 4,835	\$ 55,667
2014-15	40,735	3,028	43,763
2015-16	19,605	1,523	21,128
2016-17	20,340	788	21,128
	<u>\$ 131,512</u>	<u>\$ 10,174</u>	<u>\$ 141,686</u>

During the year ended June 30, 2013, the District paid \$59,235 in principal and interest payments on the KISTA bond issues. These payments are included as debt service in the General Fund.

The Board has passed resolutions to enter into lease agreement(s) with Apple, Inc. The Board leased equipment under a non-interest bearing governmental lease for the acquisition of 300 Macbooks. Although the lease was dated in June, 2011, the initial payment was not made and the equipment was not received prior to June 30, 2011. The Board made two payments in fiscal year 2012. The final payment on the Macbook lease was made in fiscal year 2013.

The Board has entered into a second Apple Inc. governmental lease for the acquisition of 460 iPads for classroom use. The original principal balance of the lease is \$174,340 and will bear interest at 1.9% per annum. Payments of \$59,210 are due annually on July 15 for the years 2012-2014. Two payments were made during the year. Lease payments are included as debt service in the General Fund. The Board's payment obligation under the Apple, Inc. (iPad) equipment lease are as follows:

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2013-14	\$ 58,106	\$ 1,105	\$ 59,211
	<u>\$ 58,106</u>	<u>\$ 1,105</u>	<u>\$ 59,211</u>

Assuming no issues are called prior to scheduled maturity, the minimum obligation of the District at June 30, 2013, (including amounts anticipated to be paid by the Kentucky School Facilities Construction Commission and Federal Build America Bond Program for debt service (principal and interest) are as follows:

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2013

NOTE G – LONG-TERM DEBT (Continued)

Bonded Debt and Lease Obligations (Continued)

	<u>Principal</u>	<u>Interest</u>
2013-2014	\$ 833,939	\$ 461,653
2014-2015	765,734	435,170
2015-2016	774,605	409,337
2016-2017	795,340	381,766
2017-2018	785,000	353,136
2019-2023	3,250,000	1,351,731
2024-2029	2,660,000	662,219
2030	980,000	82,880
Total	<u>\$ 10,844,618</u>	<u>\$ 4,137,892</u>

Of the total interest scheduled to be paid through maturity (\$4,137,892), \$1,150,916 and \$1,112,026 is attributable to the Kentucky School Facilities Construction Commission and Federal Build America Bonds interest credit, respectively. Accrued interest attributable to the Kentucky School Facilities Construction Commission's share of bonds outstanding and Federal Build America Bonds interest credit has not been recorded as a liability in the statement of Net Position, as payment by the District is not probable.

NOTE H - ACCUMULATED UNPAID SICK LEAVE BENEFITS

Full-time certified and classified employees are both entitled to two days of personal leave with pay each school year. On June 30, personal leave days not taken during the current school year are transferred and credited to the employee's accumulated sick leave account. All full-time certified and classified employees are entitled to ten days of sick leave with pay each school year. In addition, employees who work under extended employment schedules are entitled to the following:

Employee working less than 200 days	Ten (10) sick days
Employee working 200-219 days	Eleven (11) sick days
Employee working 220 or more days	Twelve (12) sick days

Sick leave days not taken during the school year in which they were granted shall accumulate without limitation to the credit of the certified or classified employee to whom they were granted. Certified and classified employees coming to the District from another Kentucky school district or from the Kentucky Department of Education shall transfer accumulated sick leave to the District. The estimated total liability for accumulated sick leave at June 30, 2013, was \$3,375,345 for certified and classified employees. No accrual has been recorded in the financial statement due to the contingent nature of this liability.

Upon retirement from the school system, certified and classified employees will receive accumulated sick leave as follows:

1-75 days accumulated unused sick leave	X	*Daily rate	X	17.5%
76-150 days accumulated unused sick leave	X	*Daily rate	X	22.5%
151+ days accumulated unused sick leave	X	*Daily rate	X	30.0%

*Daily rate is based on the employee's last annual salary.

At June 30, 2013, these amounts totaled \$199,197 and \$52,983, respectively, for those certified and classified employees eligible for retirement (having 27 or more years of service or having attained age 55 with five or more years of service). None of these compensated absences are deemed to be paid on a current basis, (within 60 days of year-end), therefore, no liability has been recorded in the Governmental Funds Balance Sheet. In the government-wide statement of net assets, the accrued compensated absences liability has been recorded as follows:

Current	\$ 50,436
Non-current	201,744
Total	<u>\$ 252,180</u>

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2013

NOTE I - RETIREMENT PLANS

Certified employees are covered under the Kentucky Teachers Retirement System (KTRS).

Retirement Plan Description – The Carroll County, Kentucky, Board of Education contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost sharing, multiple-employer, defined benefit pension plan. KTRS administers retirement and disability annuities and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring a four (4) year college degree or certification by Kentucky Department of Education (KDE). Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS web site at <http://ktrs.ky.gov/>.

Funding Policy – Contribution rates are established by KRS. Members are required to contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members in a state retirement system before July 1, 2008 and 14.105% of salaries for members who started their account after July 1, 2008. The federal program for any salaries paid by the program pays the matching contributions.

Medical Insurance Plan Description – In addition to the retirement annuity plan described above, Kentucky Revised Statute 161.675 requires KTRS to provide access to post-employment healthcare benefits for eligible members and dependents. The KTRS medical plan is funded by employer and member contributions. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding Policy – In order to fund the post-employment healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. Member contributions are 1.75% of salary. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 1.0% of members' salary for the 2012-2013 fiscal year.

The District's total payroll for the year was \$12,568,768. The payroll for employees covered under KTRS was \$8,933,560. For the year ended June 30, 2013, the Commonwealth contributed \$1,066,990 to KTRS for the benefit of the District's participating employees. The School District's contributions to KTRS for the year ending June 30, 2013 were \$203,876, which represents those employees covered by federal programs.

The total required contributions for all participating entities to the plan were as follows:

	Annual Required Contributions	Percentage Contributed
June 30, 2012	757,822,190	74%
June 30, 2011	678,741,428	84%
June 30, 2010	633,938,088	76%

Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS). The most recent financial report on CERS is included in the Kentucky Retirement System's annual report, June 30, 2012. Copies of this report will be distributed to each participating employer in the Kentucky Employees Retirement System, County Employees Retirement System, and State Police Retirement System. Copies will be available to Legislative personnel and state libraries.

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2013**

NOTE I - RETIREMENT PLANS (Continued)

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in non-hazardous duty positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in CERS. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least twelve months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than twelve months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the twelve months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce cost-of-living adjustments if, in its judgment, the welfare of the Commonwealth so demands. On July 1, 2012, the COLA was not granted.

Contributions – For the fiscal year ended June 30, 2012, plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the fiscal years ended June 30, 2012, participating employers contributed 18.96%, of each employer's creditable compensation. The actuarially determined rates set by the Board for the fiscal years ended June 30, 2012, was 18.96%. Administrative costs of KRS are financed through employer contributions and investment earnings.

In accordance with House Bill 1, signed by the Governor on June 27, 2008, plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6% of their annual creditable compensation. Five percent of the contribution was deposited to the member's account while the 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest, however, the 1% contribution to the 401(h) account is non-refundable and is forfeited. For plan members who began participating prior to September 1, 2008, their contributions remain at 5% of their annual creditable compensation.

The Board of Education's contributions were based on \$3,509,739 of eligible gross wages for fiscal year ended June 30, 2013. The total pension expense for the year ended June 30, 2013, was \$686,154 and \$180,473 for the employer and employees, respectively. All contributions were made as required during the year ending June 30, 2013. The District's 2012 contributions to CERS represented .17% of the total contributions required of all participating entities.

For non-hazardous duty, the required contributions of all participating entities to the plan were as follows:

**County Employees Retirement System (CERS) Non-Hazardous
Schedule of Contributions From Employers and Other Contributing
Entities for Pension and Insurance Plans**

	Annual Required Contribution	Actual Contribution	Retiree Drug Subsidy Contributions	Percentage Contribution
June 30, 2012	476,185,027	447,661,027	-	94.0%
June 30, 2011	432,414,052	435,404,150	-	100.7%
June 30, 2010	453,055,709	373,682,939	9,156,991	84.5%

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2013

NOTE I - RETIREMENT PLANS (Continued)

The Kentucky Retirement Systems Insurance Fund (Fund) was established to provide hospital and medical insurance for members receiving benefits from CERS. The Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance for current beneficiaries.

NOTE J – TRANSFER OF FUNDS

The following transfers made during the year were reported in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Special Revenue	Matching	\$ 56,930
Seek Capital Outlay Fund	Debt Service	Bond Payments	44,057
FSPK Building Fund	Debt Service	Bond Payments	610,678
Total			<u>\$ 711,665</u>

NOTE K – ECONOMIC DEPENDENCY

Carroll County Board of Education received \$790,272 in Lieu of Tax Revenue from North American Stainless. The District receives the majority of its total utilities tax revenue from Kentucky Utilities and Carrollton Utilities.

NOTE L – FUND EQUITY

Restricted Net Position

The following table shows the restricted net position as shown on the Statement of Net Position:

Governmental Activities (other purposes)

<u>Activity</u>	<u>Restricted By</u>	<u>Amount</u>
Construction of approved facility plan projects/ debt service	State Law	\$ 5,259,510
		<u>\$ 5,259,510</u>

The following classifications of fund balance on the Governmental Funds Balance Sheet (Fund Financial Statement) have been made:

Nonspendable for prepaid expense:		
General Fund		<u>\$ 254,590</u>
Restricted for:		
Construction of Approved Facility Plan Projects:		
General Fund:	\$ 3,200,500	
Other Governmental Funds		
Construction Fund	<u>595,936</u>	
		\$ 3,796,436
Kentucky School Facilities		
Construction Commission (KSFCC) Escrow		
Other Governmental Funds		
FSPK	\$ 541,425	
Seek Capital Outlay Fund	<u>921,649</u>	
		1,463,074
Total Restricted		<u>\$ 5,259,510</u>

Committed for outstanding purchase orders approved by action of the Board of Education: (New Tennis Courts \$103,222)

General Fund	<u>\$ 103,222</u>
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CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2013

NOTE L – FUND EQUITY (Continued)

Committed for Accumulated Sick Leave as constrained to that purpose by action of the Board of Education:

General Fund	\$ 84,500
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Assigned for outstanding purchase orders approved by District Administrators:

General Fund	\$ 205,693
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NOTE M – CONTINGENCIES AND COMMITMENTS/SUBSEQUENT EVENTS

The District receives funding from Federal, State, and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

The District has approved plans for renovation and additional construction at the Carroll County Middle School. The project's estimated cost is \$8,703,996. Financing for the project is to be provided by a bond issue of \$3,405,000 (47.9% Kentucky School Facilities Construction Commission), \$1,338,496 required to be escrowed previously for participation with the KSFCC, \$760,000 funds remaining from previous construction projects, and \$3,200,500 from the District's General Fund.

In previous years the District participated in the Kentucky School Boards Insurance Trust for Worker's Compensation coverage. The fund, which was created in 1978, has notified the Kentucky Department of Education that all past and present members will be assessed to make up for a deficit in the Workers' Compensation Self Insurance and/or Property and Liability pools. Based on loss data as of June 30, 2012, and a preliminary estimated liability of \$34,000,000, the District's share of this liability would be approximately \$99,300. An estimated liability for this amount has been accrued in the government wide financial statements as of June 30, 2013.

The District has been awarded a Race to the Top grant through the Kid-Friendly proposal [Kids Focused, Responsible, Imaginative, Engaged, and Determined to Learn] jointly submitted by the Green River Regional Educational and Ohio Valley Cooperatives. The overall benefit to the District is approximately \$1.6 million.

The District is subject to litigation. It is anticipated that all claims will be covered by insurance.

NOTE N – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In March 2012, the GASB issued Statement 66, *Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62*. GASB 66 was issued to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement is effective for periods beginning after December 15, 2012. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2013

NOTE N – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS (Continued)

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*. GASB 68 is effective for periods beginning after June 15, 2014. Under this statement governments will be required to report the net pension liability associated with its employee's pensions as a liability in their accrual-based financial statements (for example, the government-wide Statement of Net Position). A government has a present obligation to pay deferred benefits earned by its employees. "*Net Pension Liability*" represents the government's obligation to pay deferred benefits when the total pension [plan's] liability exceeds the pension plan's net assets. This reporting requirement is an important change that will more clearly depict the government's financial position. While this information will, in some cases give the appearance that a government is financially weaker than it was previously, the financial reality of the government's situation will not have changed. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

NOTE O – REISSUED FINANCIAL STATEMENTS

The financial statements have been reissued to report the reclassification of fund balance for the general and construction funds as shown on the balance sheet – governmental funds (page 14) of \$3,200,500 and \$595,936, respectively, from the "committed" category to "restricted". There were no changes to the assets, liabilities, revenues or expenditures for those funds or any other funds. Additionally, the government-wide financial statements have been changed to reflect the reduction of unrestricted net position and an increase in restricted net position for capital expenditures/debt service for this reclassification.

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u> <u>Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
REVENUES:				
From Local Sources:				
Taxes				
Property	\$ 3,435,000	\$ 3,435,000	\$ 3,822,688	\$ 387,688
Motor Vehicle	240,000	240,000	302,552	62,552
Utilities	2,200,000	2,200,000	3,120,032	920,032
Revenue in Lieu of Tax	700,000	700,000	915,620	215,620
Earnings on Investments	4,000	4,000	2,428	(1,572)
Other Local Revenues	5,500	5,500	252,817	247,317
Intergovernmental Revenue - State	6,632,000	6,632,000	6,667,322	35,322
Intergovernmental Revenue - Federal	-	-	6,315	6,315
TOTAL REVENUES	\$ 13,216,500	\$ 13,216,500	\$ 15,089,774	1,873,274
EXPENDITURES:				
Instruction	\$ 7,770,126	\$ 7,770,126	\$ 7,469,815	\$ 300,311
Support Services				
Student	582,500	582,500	569,346	13,154
Instructional Staff	1,489,267	1,489,267	1,246,964	242,303
District Administration	862,724	862,724	571,744	290,980
School Administration	1,137,324	1,137,324	1,136,785	539
Business Support Services	484,437	484,437	437,163	47,274
Plant Operations & Management	1,764,860	1,764,860	1,744,402	20,458
Student Transportation	1,113,914	1,113,914	1,247,622	(133,708)
Other Instructional	10,000	10,000	4,251	5,749
Food Service Operations	3,000	3,000	3,961	(961)
Debt Service	175,000	175,000	283,956	(108,956)
Contingency	2,165,536	2,165,536	-	2,165,536
TOTAL EXPENDITURES	\$ 17,558,688	\$ 17,558,688	\$ 14,716,009	\$ 2,842,679
Excess (Deficit) of Revenues Over Expenditures	\$ (4,342,188)	\$ (4,342,188)	\$ 373,765	\$ 4,715,953
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ -	\$ -	\$ -
Transfers Out	(11,312)	(11,312)	(56,930)	(45,618)
Sale of Assets	6,000	6,000	10,577	4,577
TOTAL OTHER FINANCING SOURCES (USES)	\$ (5,312)	\$ (5,312)	\$ (46,353)	\$ (41,041)
Excess (Deficit) of Revenues & Other Financing Sources Over Expenditures & Other Financing Uses	\$ (4,347,500)	\$ (4,347,500)	\$ 327,412	\$ 4,674,912
Fund Balance - July 1	4,347,500	4,347,500	5,651,200	1,303,700
Fund Balance - June 30	\$ -	\$ -	\$ 5,978,612	\$ 5,978,612

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget Favorable (Unfavorable)
REVENUES:				
From Local Sources:				
Other Local Revenues	\$ 38,780	\$ 77,917	\$ 86,396	\$ 8,479
Intergovernmental - State	470,157	556,068	569,295	13,227
Intergovernmental - Federal Direct	1,802,794	1,802,794	2,272,149	469,355
Intergovernmental - Federal through the State	1,465,791	1,656,119	1,405,486	(250,633)
TOTAL REVENUES	\$ 3,777,522	\$ 4,092,898	\$ 4,333,326	\$ 240,428
EXPENDITURES:				
Instruction	\$ 3,140,285	\$ 3,432,329	\$ 3,456,300	\$ (23,971)
Support Services				
Student	119,705	119,383	122,129	(2,746)
Instructional Staff	59,558	90,794	200,951	(110,157)
Business Support Services	53,448	53,448	37,793	15,655
Plant Operations & Management	67,639	67,639	47,646	19,993
Student Transportation	133,247	133,247	113,866	19,381
Food Service Operations	29,097	29,097	37,988	(8,891)
Community Service	185,855	193,891	195,279	(1,388)
Other - Consortium Expense	-	-	178,304	(178,304)
TOTAL EXPENDITURES	\$ 3,788,834	\$ 4,119,828	\$ 4,390,256	\$ (270,428)
Excess (Deficit) of Revenues Over Expenditures	\$ (11,312)	\$ (26,930)	\$ (56,930)	\$ (30,000)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	\$ 11,312	\$ 26,930	\$ 56,930	\$ 30,000
Operating Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ 11,312	\$ 26,930	\$ 56,930	\$ 30,000
Excess (Deficit) of Revenues & Other Financing Sources Over Expenditures & Other Financing Uses	\$ -	\$ -	\$ -	\$ -
Fund Balance - July 1	-	-	-	-
Fund Balance - June 30	\$ -	\$ -	\$ -	\$ -

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO BUDGETARY COMPARISON SCHEDULES
June 30, 2013

NOTE 1

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for its transactions on the modified accrual basis of accounting.

The Board of Education follows these procedures in establishing the budgetary data for the general fund, special revenue, and certain capital projects funds reflected in the financial statements.

1. The superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The Operating Budget includes proposed expenditures and the means of financing them for the upcoming year. Funds reserved at the end of the previous fiscal year due to the District's participation agreements with the Kentucky School Facilities Construction Commission and for its future obligation for sick leave retirement benefits are not budgeted. Revenues and expenditures associated with on-behalf payments made by the state of Kentucky for Teacher Retirement, Fringe Benefits, and Network Services, are not budgeted. Capital lease obligations transactions involving the acquisition of school buses through the KISTA Bond Program and computer equipment from Apple, Inc. are not budgeted. Detailed line item budgets are included for administration control. The level of control for the detailed budgets is at the principal/department head level.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to January 31, the school district certifies to the Kentucky Department of Education that it has formally and publicly examined the draft budget.
4. Prior to March 1, the Board of Education makes a tentative allocation to School Councils including amounts for certified and classified staffs, instructional supplies, materials, travel and equipment.
5. Prior to May 1, the Board of Education must provide notice of updated allocations to school councils.
6. Prior to May 30, the Board adopts a tentative working budget.
7. Prior to September 30, the Board adopts a final working budget and submits it to the Kentucky Board of Education for approval.
8. After the Department of Education has approved the final working budget, amendments to the budget may be made without additional approvals from the Department of Education. The general fund budget was not amended during the year. The Fund 2 [Special Revenue Funds] budget was amended to reflect new grants and other funding changes.

NOTE 2

Budgetary comparison to actual for the special revenue funds represent the total comparison of all federal and state grant programs therein. Several of the projects have grant periods involving more than one fiscal year.

NOTE 3

Actual results shown in the Budget Comparison do not reflect any on behalf payments made by the State of Kentucky for Teachers Retirement, Health Insurance, Flex payments, Life Insurance, the Administrative Fees associated with those benefits, or Network Service.

NOTE 4

Total expenditures exceeded appropriations in the Special Revenue Fund by \$270,428. The Special Revenue Fund encompasses grant projects of the District. The period of availability for the projects do not all coincide with the fiscal year of the District. Therefore, variances can occur.

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO BUDGETARY COMPARISON SCHEDULES - CONTINUED
June 30, 2013

Budget to Actual Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

	<u>General Fund</u>
<u>Sources/inflows of resources:</u>	
Actual amounts (budgetary basis) "Total Revenues" from the budgetary comparison schedule	\$15,089,774
Differences – budget to GAAP:	
Payments made by the State of Kentucky on behalf of the District for Teachers Retirement, Health Insurance, Flex Payments, Life Insurance, the Administrative Fees, and Network Service are not budgeted by the District	<u>2,819,960</u>
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund	<u>\$17,909,734</u>
<u>Uses/outflows of resources:</u>	
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$14,716,009
Differences – budget to GAAP:	
Payments made by the State of Kentucky on behalf of the District for Fringe Benefits, Network Service and Vocational Education are not budgeted by the District	<u>2,819,960</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund	<u>\$17,535,969</u>
<u>Other Financing Resources</u>	
Actual amounts (budgetary basis) "total other financing sources (uses)" from the budgetary comparison schedule	\$(46,353)
Differences – budget to GAAP:	
Capital lease proceeds are not budgeted by the District	<u>174,340</u>
Total other financing sources (uses) as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund	<u>\$127,987</u>
<u>Fund Balance, June 30, 2012</u>	
Actual amounts (budgetary basis) fund balance, June 30, from the budgetary comparison schedule	\$5,651,200
Differences – budget to GAAP:	
Amounts committed for nonspendable amounts accrued sick leave and future construction are not considered available and therefore not budgeted for current expenditures by the District/Estimated prior year difference.	<u>2,077,085</u>
Fund balance as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund	<u>\$7,728,285</u>

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2013

	Capital Project Funds				Total Non-major Governmental Funds
	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Funds	Construction Fund	
ASSETS:					
Cash and Cash Equivalents	\$ 541,425	\$ 921,649	\$ -	\$ 610,649	\$ 2,073,723
TOTAL ASSETS	<u>\$ 541,425</u>	<u>\$ 921,649</u>	<u>\$ -</u>	<u>\$ 610,649</u>	<u>\$ 2,073,723</u>
 LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Construction Retainage Payable	\$ -	\$ -	\$ -	\$ 14,713	\$ 14,713
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,713</u>	<u>\$ 14,713</u>
 FUND BALANCES:					
Restricted for:					
KSFCC Escrow	\$ 541,425	\$ 921,649	\$ -	\$ -	\$ 1,463,074
Capital Projects	-	-	-	595,936	595,936
TOTAL FUND BALANCES	<u>\$ 541,425</u>	<u>\$ 921,649</u>	<u>\$ -</u>	<u>\$ 595,936</u>	<u>\$ 2,059,010</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 541,425</u>	<u>\$ 921,649</u>	<u>\$ -</u>	<u>\$ 610,649</u>	<u>\$ 2,073,723</u>

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	Capital Project Funds				Total Non-major Governmental Funds
	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Funds	Construction Fund	
REVENUES:					
From Local Sources:					
Taxes:					
Property	\$ 394,322	\$ -	\$ -	\$ -	\$ 394,322
Earnings on Investments	103	199	-	182	484
Intergovernmental - State	216,253	168,435	-	-	384,688
Intergovernmental - Direct Federal - Build America Bonds	-	-	99,602	-	99,602
On-Behalf Payments	-	-	428,406	-	428,406
TOTAL REVENUES	<u>\$ 610,678</u>	<u>\$ 168,634</u>	<u>\$ 528,008</u>	<u>\$ 182</u>	<u>\$ 1,307,502</u>
EXPENDITURES:					
Current:					
Facilities Acquisition & Construction	\$ -	\$ -	\$ -	\$ 178,984	\$ 178,984
Debt Service					
Principal	-	-	705,000	-	705,000
Interest	-	-	477,743	-	477,743
TOTAL EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,182,743</u>	<u>\$ 178,984</u>	<u>\$ 1,361,727</u>
Excess (Deficit) of Revenues over Expenditures	<u>\$ -</u>	<u>\$ 168,634</u>	<u>\$ (654,735)</u>	<u>\$ (178,802)</u>	<u>\$ (54,225)</u>
OTHER FINANCING SOURCES (USES):					
Transfers In	\$ -	\$ -	\$ 654,735	\$ -	\$ 654,735
Transfers Out	610,678	44,057	-	-	(654,735)
TOTAL OTHER FINANCING SOURCES (USES):	<u>\$ (610,678)</u>	<u>\$ (44,057)</u>	<u>\$ 654,735</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (Deficit) of Revenues & Other Financing Sources Over Expenditures & Other Financing Uses	<u>\$ -</u>	<u>\$ 124,577</u>	<u>\$ -</u>	<u>\$ (178,802)</u>	<u>\$ (54,225)</u>
FUND BALANCE, JULY 1, 2012	<u>541,425</u>	<u>797,072</u>	<u>-</u>	<u>774,738</u>	<u>2,113,235</u>
FUND BALANCE, JUNE 30, 2013	<u>\$ 541,425</u>	<u>\$ 921,649</u>	<u>\$ -</u>	<u>\$ 595,936</u>	<u>\$ 2,059,010</u>

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
For the Year Ended June 30, 2013**

	<u>ISSUE OF 1993</u>	<u>ISSUE OF 2004</u>	<u>ISSUE OF 2005</u>
REVENUES:			
Federal Interest Credit - Build			
America Bonds	\$ -	\$ -	\$ -
Intergovernmental State - On Behalf Revenues	<u>16,004</u>	<u>27,748</u>	<u>148,215</u>
Total Revenue	<u>\$ 16,004</u>	<u>\$ 27,748</u>	<u>\$ 148,215</u>
EXPENDITURES:			
Debt Service			
Principal Retirement	\$ 15,000	\$ 15,000	\$ 90,000
Interest	<u>1,853</u>	<u>12,748</u>	<u>58,215</u>
Total Expenditures	<u>\$ 16,853</u>	<u>\$ 27,748</u>	<u>\$ 148,215</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>\$ (849)</u>	<u>\$ -</u>	<u>\$ -</u>
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	<u>\$ 849</u>	<u>\$ -</u>	<u>\$ -</u>
Total Other Financing Sources (Uses)	<u>\$ 849</u>	<u>\$ -</u>	<u>\$ -</u>
EXCESS (DEFICIT) OF REVENUES AND FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCE JULY 1, 2012	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE JUNE 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<u>ISSUE OF 2006</u>	<u>REFUNDING ISSUE OF 2007</u>	<u>REFUNDING ISSUE OF 2008</u>	<u>ISSUE OF 2010</u>	<u>TOTALS</u>
\$ -	\$ -	\$ -	\$ 99,602	\$ 99,602
54,438	61,288	41,994	78,719	428,406
<u>\$ 54,438</u>	<u>\$ 61,288</u>	<u>\$ 41,994</u>	<u>\$ 178,321</u>	<u>\$ 528,008</u>
\$ 30,000	\$ 50,000	\$ 370,000	\$ 135,000	\$ 705,000
24,813	28,715	66,825	284,574	477,743
<u>\$ 54,813</u>	<u>\$ 78,715</u>	<u>\$ 436,825</u>	<u>\$ 419,574</u>	<u>\$1,182,743</u>
\$ (375)	\$ (17,427)	\$ (394,831)	\$ (241,253)	\$ (654,735)
\$ 375	\$ 17,427	\$ 394,831	\$ 241,253	\$ 654,735
<u>\$ 375</u>	<u>\$ 17,427</u>	<u>\$ 394,831</u>	<u>\$ 241,253</u>	<u>\$ 654,735</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
HIGH SCHOOL ACTIVITY FUNDS
For the Year Ended June 30, 2013

	Cash Balances July 1, 2012	Receipts	Disbursements	Interfund Transfers	Cash Balances June 30, 2013	Accounts Receivable June 30, 2013	Accounts Payable June 30, 2013	Fund Balances June 30, 2013
ACCOUNTS:								
Academic Pep Rally	\$ 21	\$ 1,672	\$ 1,693	\$ -	\$ -	\$ -	\$ -	\$ -
Academic Team	308	196	188	-	316	-	-	316
Armed Forces Club	1,006	2,870	3,251	-	625	-	-	625
Art Fees	166	370	-	-	536	-	-	536
Athletic-General	7,508	50,469	51,776	833	7,032	-	-	7,032
Baseball	27	13,461	11,322	-	2,156	-	51	2,105
Baseball Field Renovation	-	1,700	304	-	1,396	-	-	1,396
Basketball Booster	997	7,495	8,079	-	413	-	-	413
Boy's Basketball	8,700	11,085	15,130	(250)	4,405	-	-	4,405
Broadcasting	53	-	-	(53)	-	-	-	-
CCHS Greenhouse	905	737	664	-	978	-	-	978
Cheerleaders	625	6,909	3,552	-	3,982	-	-	3,982
Chess Club	637	-	429	-	208	-	-	208
Cross Country	-	601	601	-	-	-	-	-
Drama Club	3,234	1,459	3,289	-	1,404	-	-	1,404
FCA	-	20	-	(20)	-	-	-	-
FEA Grant	114	-	-	-	114	-	-	114
FFA	152	12,633	11,818	(207)	760	-	-	760
FFA Swine Project	-	825	1,032	207	-	-	-	-
Field Trips	324	5,038	3,871	(351)	1,140	-	1,140	-
Foreign Language Club	317	-	-	-	317	-	-	317
Freshman Class	-	1,385	1,299	-	86	-	-	86
Friends of Rachel	132	-	-	-	132	-	-	132
Girl's Golf	900	880	356	-	1,424	-	-	1,424
Girl's Soccer	3,604	6,333	4,702	(153)	5,082	-	20	5,062
Junior Prom	2,265	10,504	10,436	-	2,333	-	431	1,902
KY Junior Historical Soc	208	-	-	(208)	-	-	-	-
Lady Panthers	4,639	8,545	10,703	5,991	8,472	-	-	8,472
Library	280	401	109	-	572	-	-	572
National Honor Society	-	224	111	-	113	-	-	113
NAS Tournament	-	11,425	5,184	(6,241)	-	-	-	-
Pep Club	118	3,997	3,817	-	298	-	-	298
Powder Puff Shirts	-	1,706	1,850	144	-	-	-	-
Principal's Fund	98	1,953	1,850	376	577	-	-	577
Prom Lock In	1,013	3,296	2,802	-	1,507	-	-	1,507
Retirement Fund	120	1,645	1,614	-	151	-	-	151
Robotics	-	210	-	-	210	-	-	210
SADD	129	-	-	(129)	-	-	-	-
Scholarship Fund	3,300	8,580	2,200	(130)	9,550	-	3,000	6,550
Science Fees	78	1,790	2,167	351	52	-	-	52
Senior Shirts	60	1,707	1,573	(144)	50	-	-	50
Senior Trip	1,002	31,744	31,701	-	1,045	-	-	1,045
Soccer (Boys)	6,473	12,787	11,564	(153)	7,543	-	20	7,523
Softball	3,887	8,800	5,818	306	7,175	-	170	7,005
Softball Field Renovation	1,902	-	134	-	1,768	-	-	1,768
Special Olympics	-	55	185	130	-	-	-	-
STLP	277	159	-	-	436	-	-	436
Strength & Conditioning	75	-	-	(75)	-	-	-	-
Student Council	60	-	-	-	60	-	-	60
Student Fees	1,525	9,497	10,579	-	443	-	-	443
Student Vending	371	3,040	3,520	109	-	-	-	-
Sunshine Fund	-	235	104	-	131	-	-	131
Teacher Vending	-	1,250	1,215	-	35	-	-	35
Tennis (Girls)	889	3,306	3,520	-	675	-	-	675
Text Books	2,429	55	2,429	-	55	-	-	55
Track	634	2,913	2,574	-	973	-	-	973
Volleyball	1,349	16,226	13,790	(333)	3,452	-	-	3,452
Y-CLUB	398	690	690	-	398	-	-	398
Yearbook	9,050	11,338	18,722	-	1,666	-	-	1,666
Totals	\$ 72,357	\$ 284,206	\$ 274,317	\$ -	\$ 82,246	\$ -	\$ 4,832	\$ 77,414

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
MIDDLE SCHOOL ACTIVITY FUNDS
For the Year Ended June 30, 2013

	Cash Balances			Interfund	Cash Balances	Accounts	Accounts	Fund Balances
	July 1, 2012	Receipts	Disbursements	Transfers	June 30, 2013	Receivable	Payable	June 30, 2013
ACCOUNTS:						June 30, 2013	June 30, 2013	June 30, 2013
Academic Team	\$ 569	\$ 315	\$ 407	\$ -	\$ 477	\$ -	\$ -	\$ 477
Archery	24	90	90	-	24	-	-	24
Art	382	1,256	989	-	649	-	-	649
Athletic Fund	1	1,350	1,050	-	301	-	-	301
Baseball	1,079	4,033	4,820	-	292	-	-	292
Basketball-Boys	902	10,076	9,266	(66)	1,646	-	-	1,646
CCMS Band	1,006	16,764	17,434	-	336	18	-	354
CCMS Cheerleading	676	20,529	19,747	-	1,458	1,250	600	2,108
Chess Club	578	-	-	-	578	-	-	578
Chorus	168	331	379	-	120	41	-	161
Drama	815	-	84	-	731	-	-	731
Eighth Grade	4,665	47,909	50,871	73	1,776	-	-	1,776
Encore Team	1,152	3,021	2,573	(7)	1,593	-	-	1,593
Environmental Education	404	-	-	-	404	-	-	404
F.E.A.	261	-	-	-	261	-	-	261
Field Trip	150	-	-	-	150	-	-	150
Football	8,091	5,326	7,908	-	5,509	-	-	5,509
Girls Basketball	2,975	7,897	8,646	-	2,226	-	-	2,226
KY Jr. Historical	432	50	111	-	371	-	-	371
Library	312	5,962	5,750	-	524	-	-	524
Lighthouse	113	246	187	-	172	-	-	172
NJHS	32	-	-	-	32	-	-	32
Principal	169	1,867	575	-	1,461	-	85	1,376
Publication	357	3,150	2,946	-	561	-	-	561
Rachel's Challenge	65	-	-	-	65	-	-	65
Recycling Fund	83	213	-	-	296	-	-	296
Renaissance	160	7,317	5,872	99	1,704	-	-	1,704
Resource Books	40	-	-	-	40	-	-	40
Science Fair	69	245	314	-	-	-	-	-
Seventh Grade	653	1,165	1,336	-	482	-	-	482
Sixth Grade	753	106	144	-	715	-	-	715
Soccer	1,297	1,377	1,612	-	1,062	200	-	1,262
Social Fund	1	-	-	-	1	-	-	1
STLP	231	483	425	(99)	190	-	-	190
Student Council	354	-	53	-	301	-	-	301
Track	676	700	792	-	584	-	-	584
Vending-Teacher	447	1,429	1,361	-	515	-	25	490
Volleyball	2,490	2,863	1,421	-	3,932	-	-	3,932
Totals	\$ 32,632	\$ 146,070	\$ 147,163	\$ -	\$ 31,539	\$ 1,509	\$ 710	\$ 32,338

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
CARTMELL ELEMENTARY SCHOOL ACTIVITY FUNDS
For the Year Ended June 30, 2013

	Cash Balances July 1, 2012	Receipts	Disbursements	Interfund Transfers	Cash Balances June 30, 2013	Accounts Receivable June 30, 2013	Accounts Payable June 30, 2013	Fund Balances June 30, 2013
ACCOUNTS:								
Book Fair	\$ 2,501	\$ 5,418	\$ 6,288	\$ -	\$ 1,631	\$ -	\$ -	\$ 1,631
Bookstore	2,399	-	1,660	-	739	-	-	739
Camp Invention	3,234	-	1,920	(1,314)	-	-	-	-
Cheerleading	1,525	1,086	2,491	-	120	-	-	120
Dance Team	146	230	376	-	-	-	-	-
Engineering	-	851	406	-	445	-	-	445
Field Trips	92	3,256	3,052	263	559	-	-	559
Flower Fund	19	195	255	41	-	-	-	-
Fun for the Arts	4,233	2,291	2,149	-	4,375	-	-	4,375
History Club	100	-	-	-	100	-	-	100
Military Club	-	148	140	-	8	-	-	8
Music	264	1,034	802	-	496	-	-	496
Playground	4,144	20,338	15,282	-	9,200	-	-	9,200
Principal Account	2,325	4,271	3,468	(304)	2,824	-	-	2,824
Relay for Life	-	925	925	-	-	-	-	-
Reward Events	169	1,518	1,627	-	60	-	-	60
STEAM Camp	-	2,990	81	1,314	4,223	-	628	3,595
STLP	-	785	785	-	-	-	-	-
Vending Machines	276	772	1,048	-	-	121	28	93
Yearbook	423	2,373	2,544	-	252	-	-	252
Youth Basketball	5,636	10,574	11,734	-	4,476	-	20	4,456
Totals	\$ 27,486	\$ 59,055	\$ 57,033	\$ -	\$ 29,508	\$ 121	\$ 676	\$ 28,953

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
KATHRYN WINN PRIMARY SCHOOL ACTIVITY FUNDS
For the Year Ended June 30, 2013

	Cash Balances July 1, 2012	Receipts	Disbursements	Interfund Transfers	Cash Balances June 30, 2013	Accounts Receivable June 30, 2013	Accounts Payable June 30, 2013	Fund Balances June 30, 2013
ACCOUNTS:								
Book Fair	\$ 2,634	\$ 14,749	\$ 12,439	\$ -	\$ 4,944	\$ -	\$ -	\$ 4,944
Charity	-	1,111	1,111	-	-	-	-	-
Fall Festival	3,381	-	-	(3,381)	-	-	-	-
Field Trips	955	7,096	6,918	-	1,133	-	-	1,133
Flower Fund	200	235	319	-	116	-	-	116
Market Day	158	528	727	170	129	-	-	129
Music	10	60	-	-	70	-	-	70
Nature's Vision	423	5,907	6,151	-	179	-	-	179
Poster Maker	-	70	-	-	70	-	-	70
Principal's Fund	686	1,418	833	(170)	1,101	1,471	-	2,572
STEM	-	9,430	7,002	3,381	5,809	-	-	5,809
STLP	132	-	-	-	132	-	-	132
2nd Grade Fund Raiser	67	-	-	-	67	-	-	67
Vending	433	1,010	1,268	-	175	-	-	175
Wisdom & Wonder	-	36	-	-	36	-	-	36
Yearbook	1,942	3,456	3,461	-	1,937	-	-	1,937
Totals	<u>\$ 11,021</u>	<u>\$ 45,106</u>	<u>\$ 40,229</u>	<u>\$ -</u>	<u>\$ 15,898</u>	<u>\$ 1,471</u>	<u>\$ -</u>	<u>\$ 17,369</u>

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL
For the Year Ended June 30, 2013**

Board Members

Mona Kindoll, Chairperson

Carolyn Jones, Vice Chairperson

Mary Ann Pearson

Rob Spenneberg

Tommy Unker (Through December 31, 2012)

Dru Maiden (Resigned June 20, 2013)

ADMINISTRATIVE PERSONNEL

Dr. Lisa James, Superintendent of Schools

William Hogan, Assistant Superintendent/(CAO)

Jon Conrad, Chief Finance Officer

Tracie Crawford, Secretary to the Board

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Kentucky State Committee For School District Audits
Members of the Carroll County, Kentucky, Board of Education
Carrollton, Kentucky**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carroll County Board of Education, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise Carroll County Board of Education's basic financial statements and have issued our report thereon dated November 6, 2013, except for Notes L and O as to which the date is February 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Carroll County Board of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Carroll County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of Carroll County Board of Education's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (2013-1 and 2013-2).

Compliance and Other Matters

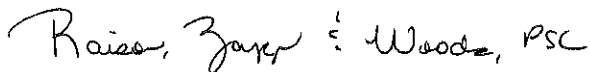
As part of obtaining reasonable assurance about whether Carroll County Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Item 2013-3.

Carroll County Board of Education's Response to Findings

Carroll County Board of Education's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Carroll County Board of Education's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



RAISOR, ZAPP & WOODS, PSC
Certified Public Accountants
Carrollton, Kentucky

November 6, 2013, except for Notes L and O as to which the date is February 24, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

**Kentucky State Committee For School District Audits
Members of the Carroll County, Kentucky, Board of Education
Carrollton, Kentucky**

Report on Compliance for Each Major Federal Program

We have audited Carroll County, Kentucky, Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Carroll County, Kentucky, Board of Education's major federal programs for the year ended June 30, 2013. Carroll County, Kentucky, Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Carroll County, Kentucky, Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Carroll County, Kentucky, Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Carroll County, Kentucky, Board of Education's compliance.

Basis for Qualified Opinion on U.S. Department of Agriculture, Child Nutrition Cluster, National School Lunch Program, National School Breakfast Program, Summer Food Service Program for Children

As described in the accompanying schedule of findings and questioned costs, Carroll County, Kentucky, Board of Education did not comply with requirements regarding CFDA 10.555 National School Lunch Program, 10.553 National School Breakfast Program and 10.559 Summer Food Service Program for Children [Child Nutrition Cluster] as described in finding number 2013-6 for special tests and provisions. Compliance with such requirements is necessary, in our opinion, for Carroll County, Kentucky, Board of Education to comply with the requirements applicable to that program.

Qualified Opinion on U.S. Department of Agriculture, Child Nutrition Cluster, National School Lunch Program, National School Breakfast Program, Summer Food Service Program for Children

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Carroll County, Kentucky, Board of Education, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on U.S. Department of Agriculture, Child Nutrition Cluster, National School Lunch Program, National School Breakfast Program, Summer Food Service Program for Children for the year ended June 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Carroll County, Kentucky, Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.

Carroll County, Kentucky, Board of Education's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Carroll County, Kentucky, Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Carroll County, Kentucky, Board of Education, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Carroll County, Kentucky, Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Carroll County, Kentucky, Board of Education's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-4 and 2013-5 to be significant deficiencies.

Report on Internal Control Over Compliance (Continued)

Carroll County, Kentucky, Board of Education's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Carroll County, Kentucky, Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Raisor, Zapp & Woods, PSC

RAISOR, ZAPP & WOODS, PSC
Certified Public Accountants
Carrollton, Kentucky

November 6, 2013

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>MUNIS Project Number</u>	<u>Federal Expenditures</u>
U. S. Department of Education:				
Pass-through Programs from the Kentucky Department of Education:				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	84.010	3100002 10	3101M	\$ 1,584
Title I Grants to Local Educational Agencies	84.010	3100002 10	3201	9,906
Title I Grants to Local Educational Agencies	84.010	3100002 11	3102	66,010
Title I Grants to Local Educational Agencies	84.010	3100002 11	3102M	1,366
Title I Grants to Local Educational Agencies	84.010	3100002 11	3102T	8,579
Title I Grants to Local Educational Agencies	84.010	3100002 11	3202	55,946
Title I Grants to Local Educational Agencies	84.010	3100202 12	3103	671,029
Title I Grants to Local Educational Agencies	84.010	3100202 12	3103M	1,290
Sub-Total Title I Grants to Local Educational Agencies				<u>\$ 815,710</u>
Total Title I, Part A Cluster				<u>\$ 815,710</u>
School Improvement Grants Cluster:				
Title I School Improvement Grants Sec. 1003(g) Recovery Act	84.388A	4100302 10	5600C	\$ 22,713
Title I School Improvement Grants Sec. 1003(g) Recovery Act	84.388A	4100302 09	5600B	8,535
Total School Improvement Grants Cluster				<u>\$ 31,248</u>
Special Education Cluster (IDEA):				
Special Education-Grants to States	84.027	3810002 12	3373	\$ 265,430
Special Education-Grants to States	84.027	3810002 11	3372	28,487
Sub-Total Special Education-Grants to States				<u>\$ 293,917</u>
Special Education-Preschool Grants	84.173	3800002 12	3433	\$ 16,623
Special Education-Preschool Grants	84.173	3800002 11	3432	1,509
Sub-Total Special Education-Preschool Grants				<u>\$ 18,132</u>
Total Special Education Cluster (IDEA)				<u>\$ 312,049</u>
Career and Technical Education-Basic Grants to States				
Career and Technical Education-Basic Grants to States	84.048	4621332 12	3483	\$ 6,521
Career and Technical Education-Basic Grants to States	84.048	4621232 11	3482	619
Sub-Total Career and Technical Education-Basic Grants to States				<u>\$ 7,140</u>
Twenty-First Century Community Learning Centers				
Twenty-First Century Community Learning Centers	84.287	3400002 11	5503S	\$ 1,444
Twenty-First Century Community Learning Centers	84.287	3400002 10	5501J	10,000
Twenty-First Century Community Learning Centers	84.287	3400002 10	5501	17,869
Twenty-First Century Community Learning Centers	84.287	3400002 11	5502	53,578
Twenty-First Century Community Learning Centers	84.287	3400002 10	5502S	3,141
Twenty-First Century Community Learning Centers	84.287	3400002 11	5503C	6,887
Sub-Total Twenty-First Century Learning Centers				<u>\$ 92,919</u>
Improving Teacher Quality State Grants	84.367	3230002 12	4013	\$ 104,846
Sub-Total Improving Teacher Quality State Grants				<u>\$ 104,846</u>
Rural Education and Low Income School Grant Program	84.358	3140002 12	3503	\$ 31,862
Sub-Total Rural Education and Low Income School Grant Program				<u>\$ 31,862</u>
English Language Acquisition Grants	84.365	3300002 11	3452	\$ 2,076
Sub-Total English Language Acquisition Grants				<u>\$ 2,076</u>
Education Jobs Fund	84.410	EJOB00 10	4411	\$ 2,701
Sub-Total Education Jobs Fund				<u>\$ 2,701</u>
Race to the Top, Recovery Act	84.413A	3960002 11	4521	\$ 4,935
Sub-Total Race to the Top, Recovery Act				<u>\$ 4,935</u>
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems (FY 2000-2012)	93.938	2000001	N/A	\$ 150
Sub-Total Cooperative Agreements School Health Programs				<u>\$ 150</u>
Total Pass-through Programs from the Kentucky Department of Education				<u>\$ 1,405,636</u>
Total U.S. Department of Education				<u>\$ 1,405,636</u>

(Continued Next Page)

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
For the Year Ended June 30, 2013

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>MUNIS Project Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture:</u>				
Direct Programs:				
Distance Learning & Telemedicine Loans and Grants	10.855	N/A	5220	\$ 53,218
Sub-Total Distance Learning & Telemedicine Loans and Grants				\$ 53,218
Total Direct Programs from the U.S. Department of Agriculture				\$ 53,218
Pass-through Programs from the Kentucky Department of Education:				
Child Nutrition Cluster:				
National School Lunch Program	10.555	7750002 13	N/A	\$ 468,773
National School Lunch Program	10.555	7750002 12	N/A	123,934
National School Lunch Program (Note B)	10.555	0675-02-02	N/A	67,112
Sub-Total National School Lunch Program				\$ 659,819
School Breakfast Program	10.553	7760005 13	N/A	\$ 191,433
School Breakfast Program	10.553	7760005 12	N/A	47,707
Sub-Total School Breakfast Program				\$ 239,140
Summer Food Service Program for Children	10.559	7740023 13	N/A	\$ 3,221
Summer Food Service Program for Children	10.559	7690024 12	N/A	563
Summer Food Service Program for Children	10.559	7740023 12	N/A	5,475
Sub-Total Summer Food Service Program for Children				\$ 9,259
Total Child Nutrition Cluster				\$ 908,218
Total Pass-through Programs from the Kentucky Department of Education				\$ 908,218
Total U.S. Department of Agriculture				\$ 961,436
<u>U.S. Department of Health and Human Services:</u>				
Direct Programs:				
Drug-Free Communities Support Program Grants	93.276	N/A	5002A	\$ 41,420
Drug-Free Communities Support Program Grants	93.276	N/A	5003A	59,392
Sub-Total Drug-Free Communities Support Program Grants				\$ 100,812
Head Start:				
Head Start	93.600	N/A	6553	\$ 667,548
Head Start	93.600	N/A	6552	21,468
Sub-Total Head Start				\$ 689,016
Early Head Start	93.600	N/A	6443	\$ 950,342
Early Head Start	93.600	N/A	6442	301,092
Sub-Total Early Head Start				\$ 1,251,434
Total Direct Programs Head Start:				\$ 1,940,450
Total Direct Programs from the U.S. Department of Health and Human Services				\$ 2,041,262
<u>Institute of Museum and Library Services:</u>				
Direct Program:				
Laura Bush 21st Century Librarian Program	45.313	N/A	0120	\$ 177,669
Total Laura Bush 21st Century Librarian Program				\$ 177,669
Total Direct Programs from the Institute of Museum and Library Services				\$ 177,669
Total Expenditures of Federal Awards				\$ 4,586,003

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013**

Note A: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Carroll County, Kentucky, Board of Education under programs of the federal government for the year ended June 30, 2013, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the Schedule presents only a selected portion of the operations of the Carroll County, Kentucky, Board of Education, it is not intended to and does not present the financial position, changes in net position, or cash flows of Carroll County, Kentucky, Board of Education.

Note B: Food Distribution

Nonmonetary assistance of the commodities used in the School Food Service Program are reported at the fair market value of commodities received and disbursed.

Note C: Insurance

Other than the non-cash assistance described in Note B, Carroll County, Kentucky, Board of Education had not received any other federal awards in the form of non-cash assistance, insurance contracts or loans and loan guarantees for the year ended June 30, 2013.

Note D: Build America Bonds

The Carroll County, Kentucky, Board of Education received \$99,602 in interest credit payments toward the debt service payments made on its School Building Revenue Bonds, Series of 2010 (Build America Bonds), for the year ended June 30, 2013. These payments are not included in the accompanying schedule of expenditures of federal awards.

Note E: Subrecipients

Of the federal expenditures presented in the Schedule, Carroll County Board of Education provided federal awards to Subrecipients as follows:

	Program Name	Amount Provided
CFDA No.	Institute of Museum and Library Services	
45.313	Laura Bush 21 st Century Librarian Program	\$177,669

Provided to Ohio Valley Educational Cooperative to administer continuing education and training for twenty-nine schools in seven area school districts and six county public libraries.

Note F: School-Based Administrative Claiming Program

Not included in the accompanying schedule of expenditures of federal awards is \$6,165 of federal reimbursements for General Fund expenditures related to Carroll County, Kentucky, Board of Education's participation in the Medicaid School-Based Administrative Claiming program through the Kentucky Department of Education and Kentucky Department for Medicaid Services.

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013**

A. SUMMARY OF AUDITOR'S RESULTS:

1. The auditor's report expresses an unqualified opinion on the financial statements of the Carroll County, Kentucky, Board of Education.
2. Two significant deficiencies related to the audit of the financial statements is reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. No material weaknesses are reported.
3. One instance of noncompliance material to the financial statements of Carroll County, Kentucky, Board of Education, that would be required to be reported in accordance with *Government Auditing Standards*.
4. Two significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance for Each Major Program and on Internal Control over Compliance required by OMB Circular A-133.
5. The auditor's report on compliance for the Child Nutrition Cluster, National School Lunch Program, National School Breakfast Program and Summer Food Service Program for Children for Carroll County, Kentucky, Board of Education expresses a qualified opinion; the report on the remaining major federal award programs is unmodified.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs include:

	CFDA No.
Child Nutrition Cluster	
National School Lunch Program	10.555
National School Breakfast Program	10.553
Summer Food Service Program for Children	10.559
Special Education Cluster (IDEA)	
Special Education – Grants to States	84.027
Special Education – Preschool Grants	84.173
Head Start	93.600
Institute of Museum and Library Services:	
Laura Bush 21 st Century Librarian Program	45.313

8. The threshold used for distinguishing between Type A and Type B programs was \$300,000.
9. The Carroll County, Kentucky, Board of Education qualified as a low risk auditee.

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2013**

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCIES

Government Auditing Standards

2013-1 Segregation of Duties and Checking Procedures

Condition: Checking procedures and rotation of duties are limited due to the size of the District's administrative staff and responsibilities associated with individual positions. Administrative review procedures have not been executed fully in oversight of the High School Activity Fund. Instances were observed where reports for fund raising activities were not prepared and/or compared to funds deposited. The checking account was not correctly reconciled. This condition was also cited as a significant deficiency in the schedule of findings and questioned costs for the year ended June 30, 2012 as item 12-1. Additionally, training for managerial responsibilities and reporting requirements associated with the School Food Service operation was limited after changes in personnel. Review procedures were not fully executed in oversight.

Criteria: Internal controls should be implemented to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and allow the preparation of financial data consistent with management assertions.

Cause: Time constraints and responsibilities associated with individual positions limit the availability of individuals to rotate duties and perform checking/review procedures. Individuals associated with fundraising and other activities (athletic events, etc.) have not completed reconciliations regarding funds collected in all cases.

Effect: This limitation may affect the ability to timely record, process, summarize and report financial data. Payments may be made without proper documentation. Misappropriation of funds may occur. Transactions may not be properly recorded.

Recommendation: Management should strive to separate duties and implement checking procedures as staff and cost benefits allow. Required documentation/approvals should be reiterated to employees. Review procedures should be implemented to insure all transactions have been recorded and reconciled to the bank account.

Response: Based upon the results of an internal audit, the district had a new High School bookkeeper in place for the last five months of the fiscal year. "Redbook" training has been provided to all appropriate staff to address the deficiencies. Additionally, monitoring will take place from the district level throughout the year to insure compliance. The district also had a new School Food Service Director throughout Fiscal Year 2013. Additional training will be provided to insure responsibilities are met and monitoring will take place from the district level throughout the year.

2013-2 Failure to Prepare a Complete Set of Financial Statements Including Required Note Disclosures

Condition: District government-wide financial statements, including the required disclosures are prepared as part of the annual audit. This condition was also cited as a significant deficiency in the schedule of findings and questioned costs for the year ended June 30, 2012 as item 12-2.

Criteria: Internal controls should be in place to provide management with reasonable, but not absolute, assurance that financial statements and required notes are prepared in accordance with generally accepted accounting principles.

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2013**

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

SIGNIFICANT DEFICIENCIES (Continued)

Government Auditing Standards (Continued)

2013-2 Failure to Prepare a Complete Set of Financial Statements Including Required Note Disclosures (Continued)

Cause: The District prepares governmental fund financial statements for its' annual financial report. However, the draft accrual basis (government-wide) financial statements and disclosures are prepared during the audit process. Entries are not entered into the District's MUNIS System.

Effect: Management engaged the auditor to prepare draft financial statements and related notes. Management reviewed, approved and accepted responsibility for the financial statements prior to their issuance.

Recommendation: The outsourcing of this service is not unusual for a District this size and is a result of management's cost benefit decision to use others' accounting expertise rather than incur internal resource costs. We recommend that District management continue to enhance its knowledge of reporting requirements in providing oversight of this service.

Response: We concur with the recommendation and will continue to improve our overall accounting knowledge in performing our oversight responsibilities.

COMPLIANCE ISSUES

Government Auditing Standards

2013-3 Failure to Comply with 702 KAR 3:130: Kentucky Department of Education Accounting Procedures for Kentucky School Activity Funds

Condition: Necessary internal controls and Redbook documentation procedures have not been followed in the District's High School Activity Funds. Instances were observed where funds received from fundraisers, sales activities, athletic events, and other receipt activities were not documented and/or reconciled to the general ledger. Athletic event schedules have not been consistently compared to rosters and/or schedules to verify appropriate deposits and expenditures.

Instances were observed where deposits were made but not entered into the general ledger. Receipts were not issued promptly, indicating that teachers and others are not expecting a timely receipt or requesting same.

This was reported as a significant deficiency in the audit for the year ended June 30, 2012 as item 12-4.

Criteria: Internal controls should be implemented to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition.

Cause: The District failed to comply with the Kentucky Department of Education's Accounting Procedures for Kentucky School Activity Funds ("Redbook").

Effect: Failure to follow appropriate accounting procedures may allow inappropriate or unapproved expenditures to be made and misappropriation of funds to occur.

Recommendation: Appropriate "Redbook" procedures should be reiterated to employees.

Response: The district has provided "Redbook" training to all appropriate staff. The Chief Financial Officer will monitor compliance through the fiscal year with a focus at the High School.

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2013**

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

SIGNIFICANT DEFICIENCIES

2013-4 Checking and Review Procedures

U.S. Department of Agriculture: Pass Through Programs from the Kentucky Department of Education. Child Nutrition Cluster: National School Lunch Program CFDA #10.555, Pass Through Numbers 7750002 13 and 7750002 12 (Grant periods October 1, 2012 to September 30, 2013, and October 1, 2011 to September 30, 2012, respectively); National School Breakfast Program CFDA #10.553, Pass through Numbers 7760005 13 and 7760005 12 (Grant periods October 1, 2012 to September 30, 2013, and October 1, 2011 to September 30, 2012, respectively); Summer Food Service Program for Children CFDA #10.559, Pass through Numbers 7690024 13 and 7690024 12 (Grant periods October 1, 2012 to September 30, 2013, and October 1, 2011 to September 30, 2012, respectively).

Condition: Checking procedures and rotation of duties are limited due to the size of the administrative staff and responsibilities associated with individual positions. Training for managerial responsibilities and reporting requirements associated with the school food service operation was limited after changes in personnel. Administrative review procedures have not been executed fully in oversight.

Criteria: Internal controls should be implemented to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and allow the preparation of financial data consistent with management assertions.

Cause: Changes in Personnel have resulted in inexperience in certain positions. Training and oversight has been limited. A back-up individual with complete knowledge of reporting and compliance requirements is not available to provide checking and review procedures.

Effect: This limitation may affect the ability to record, process, summarize and report financial data. Evidence of internal checking procedures on reimbursement requests, and tests and reviews of eligibility compliance filings were not performed or documented as having been performed. Errors occurred in the completion of required verification sampling.

Recommendation: Management should strive to separate duties and implement checking procedures as staff and cost benefits allow. Employees should be fully trained on compliance requirements associated with the federal programs. Additional trainings should be given to employees to enhance knowledge of software capabilities for report preparation, and compliance requirements of the program(s).

Response: Additional training will be provided to enhance the knowledge of software capabilities for report preparation and compliance requirements. This training will be provided to both the Food Service Director and Assistant Director, in addition to other appropriate Food Service personnel.

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2013**

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT (Continued)

SIGNIFICANT DEFICIENCIES (Continued)

2013-5 Oversight and Financial Responsibilities

Institute of Museum and Library Services: Direct Program, Laura Bush 21st Century Librarian Program – CFDA #45.313 Award Number RE-06-10-0097-10, Award Period July 1, 2010 – June 30, 2013

Condition: In the Grant application for the CATALYST program the District was identified as the applicant and as the party who would be responsible for fiscally administering the project and complying with reporting requirements. The Ohio Valley Educational Cooperative (OVEC) was identified as the key agency in administering the professional development program. Its responsibilities would include employing project personnel, coordinating activities in accordance with the professional development plan, submitting performance and financial reports to Carroll County Public Schools, and conducting evaluations of the program. Semi-annual narrative program reports and annual financial reports are required and must be signed by the authorizing official (the District grant writer). Subrecipient monitoring controls were not employed.

Criteria: Controls should be in place to insure that all costs incurred under the grant are reasonable and appropriate for the project, and that matching and reporting requirements have been met.

Cause: Total reliance has been placed in OVEC to perform in accordance with the grant requirements. The District has received financial reports on the project to provide documentation for filing the Request for Advance or Reimbursement forms requesting grant draws. However, copies of other reports (narrative and annual financial reports), and documentation that match requirements had been met were not timely provided.

Effect: The District was not provided with the required reports. If submitted, such reports were not signed by the District's authorizing official.

Recommendation: The District should implement controls to document its oversight responsibilities have been met.

Response: The District has requested the OVEC Annual Financial Report for fiscal year 2013. Additionally, documentation of the matching grant requirements will be reviewed to verify requirements have been met. Semi-annual narrative program reports will be reviewed and signed off on by the District.

COMPLIANCE

2013-6 Failure to perform required random sample appropriately

U.S. Department of Agriculture: Pass Through Programs from the Kentucky Department of Education. Child Nutrition Cluster: National School Lunch Program CFDA #10.555, Pass Through Numbers 7750002 13 and 7750002 12 (Grant periods October 1, 2012 to September 30, 2013, and October 1, 2011 to September 30, 2012, respectively); National School Breakfast Program CFDA #10.553, Pass through Numbers 7760005 13 and 7760005 12 (Grant periods October 1, 2012 to September 30, 2013, and October 1, 2011 to September 30, 2012, respectively); Summer Food Service Program for Children CFDA #10.559, Pass through Numbers 7690024 13 and 7690024 12 (Grant periods October 1, 2012 to September 30, 2013, and October 1, 2011 to September 30, 2012, respectively).

Condition: Due to a lack of understanding of how the District's software processed eligibility applications related to children qualified under public programs, the random sample chosen included children that should have been excluded from the sample pool. This impacted the children chosen for verification.

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2013**

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT (Continued)

COMPLIANCE (Continued)

2013-6 **Failure to perform required random sample appropriately (Continued)**

Criteria: A random verification sample is required to test eligibility under requirements of the Child Nutrition Cluster compliance supplement. Specific methods are required to be employed in completing the sample. *Verification* is confirmation of eligibility for free and reduced price meals under the NSLP and SBP. Verification is only required when eligibility is determined through the application process, not through direct certification conducted with an Assistance Program or officials or agencies that documented other Source Categorical Eligibility.

Cause: Changes occurred in personnel responsible for the completion of the random verification sample. Training in the District's software capabilities and intricacies was not complete when the random verification sample procedure was performed.

Effect: Inexperience with the software used in the verification process, incomplete training on the details associated with eligibility determinations, and lack of a checking process [with a second knowledgeable individual] resulted in errors in completing the random verification process. The verification sample pool was incorrectly selected. Of the ten (10) applications selected, five (5) had been verified through direct certification and should therefore not been included in the sample pool. Other documentation errors were observed.

Recommendation: All personnel charged with using the software determining eligibility and tracking counts for reimbursements under the Child Nutrition Cluster should be fully trained in use of the software, its capabilities, and the compliance requirements of the program. At least two individuals in the District should be knowledgeable and able to complete the eligibility determinations, the random verification sample, and the filing of claims for reimbursements.

Response: Both the Food Service Director and the Assistant Director will be trained in the use of the software and compliance requirements of the program. Upon completion of the training, two employees will possess the knowledge necessary to ensure compliance requirements are met.

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2013**

SIGNIFICANT DEFICIENCIES

NONE

COMPLIANCE ISSUES

NONE

**Kentucky State Committee for School District Audits
Members of the Carroll County, Kentucky, Board of Education
Carrollton, Kentucky**

In planning and performing our audit of the financial statements of the Carroll County, Kentucky, Board of Education as of and for the year ended June 30, 2013, we considered the Board's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

We previously reported on the Board's internal control in our report dated November 6, 2013, except for Notes L and O as to which the date is February 24, 2014. A separate report contains our report on deficiencies in the Board's internal control. This letter does not affect our report dated November 6, 2013, except for Notes L and O as to which the date is February 24, 2014 on the financial statements of the Carroll County, Kentucky, Board of Education.

We found the Board's accounting system to be capable of providing essential information for effective operating and financial control of the District's operations. At the same time, we observed certain areas where procedural modifications or revisions might provide better internal control. This letter summarizes our comments and suggestions regarding those matters.

In our previous audit we:

- Recommended that the Board require its contracted therapists to carry professional liability insurance. In our review of such contracts in the current year it was observed that some improvement has been made.
- Observed errors in the verification sample selected for compliance with federal regulations for the National School Lunchroom and School Breakfast programs. We recommended that a second independent review of the entire verification process be performed as the verification is one of the principal compliance requirements of the program. In the current audit we found errors in the sample selection and other documentation errors. This finding has been addressed in the schedule of findings and questioned costs.
- In the previous audit only one of four schools maintained documentation of itemized a la carte sales recorded in the school food service fund. Documentation was maintained in the current year.
- Noted an instance where the required federal semi-annual verification had not been properly completed. In the current audit we noted improvement in this area.
- Observed fund raiser approvals and reconciliations had not been properly prepared for all those chosen for review. In the current audit, fund raiser reconciliations continue to be a problem area. Reconciliations are an important control element. Failure to perform such reconciliations allows the opportunity for inaccuracy in the financial records and other risks such as misappropriation of funds. The Board should reiterate the importance of this procedure to activity fund sponsors, coaches, and management.
- Observed activity fund transfers did not contain appropriate signatures of each corresponding sponsor. Similar instances were observed in the current year.

- Recommended that athletic rosters be compared to deposits to insure that all deposits for admissions and concessions were made and that expenditures for travel, officials, and camps are in line with the schedule and team members. Improvement was noted.
- Recommended that the Board implement a policy concerning purchases of coaches' gear through the activity funds. The new Red Book will address this issue.
- An instance was noted where a reimbursement check made payable to a school activity fund was cashed at the bank to provide reimbursements for overpayments made by the students. No similar instances were observed in the current year.
- In our review of payroll for substitute teachers, it was determined that one substitute was incorrectly classified as a higher rank than qualified. In the current year some inconsistencies were observed in the area of experience allowed for previous employment positions. It is reiterated that all new staff classifications and changes to staff classifications should be reviewed by a second party.

In the current year:

In our review of the process of filing monthly School Food Service reimbursement claims, it was identified that there is no second internal check. It was indicated that a neighboring county's director had been helping in the reimbursement process. Although, it appears that the reimbursement claims were reviewed (no documentation was observed), it is recommended that the District have more than one individual knowledgeable of the reporting process. We would also recommend that the District develop a process to document reviews of production records and inventory counts as performed.

In our review of expenditures several instances were identified in which invoices were dated before the purchase orders were completed. This could lead to incurring obligations not approved by the District. Additionally, the practice of using standard invoices in place of purchase orders was noted in the activity funds. Use of purchase orders is required by the Red Book and is an important step in encumbering the individual funds. Standard invoices should only be used when an invoice is not provided by a vendor. Otherwise a purchase order estimating cost prior to order should be used.

Federal procurement guidelines require that vendors and individuals receiving payments from federal programs be reviewed for possible exclusion (disbarment) through the system for awards management website. It was noted in discussions with personnel that this process had been erroneously discontinued, but that it would now be reinstated and would be expanded to review personnel assigned to federal programs.

Lapses were also observed in new vendor approvals. This is an important step in the purchasing process to mitigate the possibility of false vendors being established.

In reading the minutes that are published on the website it was observed in some cases where an expenditure was approved, the total dollar amount of the contract or expenditure approved was not included in the motion. In the interest of transparency, we would recommend that the expenditure or contract amounts associated with a particular motion be disclosed.

Although we have indicated some items for review as observed during the audit process, we would like to take this opportunity to compliment the Board on the conscientious attitude of its employees. The staff, as always, was most cordial and cooperative with us throughout the audit process.

Kentucky State Committee for School District Audits
Members of the Carroll County, Kentucky,
Board of Education
Carrollton, Kentucky 41008
Page 3

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Board personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Carroll County, Kentucky, the Kentucky Department of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Raisor, Zapp & Woods, PSC

RAISOR, ZAPP & WOODS, PSC
Certified Public Accountants
Carrollton, Kentucky

November 6, 2013, except for Notes L and O as to which the date is February 24, 2014



Carroll County Board of Education

Dr. Lisa James, Superintendent
Mr. Bill Hogan, Assistant Superintendent/Chief Academic Officer
Mr. Larry Curell, DPP/Chief Operations Officer
Mrs. Pam Williams, Elementary Instructional Supervisor
Mr. Jon Conrad, Chief Financial Officer
Mrs. Kathy Bieger, Director of Special Education

November 6, 2013

Kentucky State Committee for School District Audits

In response to the findings noted in the auditors' management letter for the year ended June 30, 2013, we submit the following:

Significant Deficiency 2013-1

- Segregation of Duties and Checking Procedures

In response to this item, the district will address this issue with all appropriate school personnel and will continue to monitor this to ensure compliance.

Significant Deficiency 2013-2

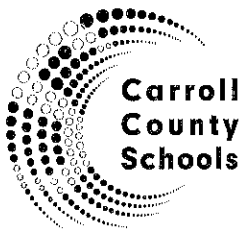
- Failure to prepare a complete set of financial statements, including the required disclosures are prepared as part of the annual audit.

In response to this item, the district's decision to outsource the preparation of the complete set of financial statements is a cost benefit decision as this is not a requirement of the Kentucky Department of Education.

Compliance Issue 2013-3

- Failure to Comply with 702 KAR 3:130 Kentucky Department of Education Accounting Procedures for Kentucky School Activity Funds

In response to this item, the district had hired a new bookkeeper at the high school in February 2013 after issues were discovered during an internal audit. These audits were performed at all schools in Fiscal 2013 and will occur on a semi-annual basis in Fiscal 2014. Furthermore, Redbook training was conducted in July 2013 for school principals and bookkeepers, in addition to athletic directors and coaches. The corrective action plan completion date is June 30, 2014 as monitoring will take place throughout the fiscal year.



Carroll County Board of Education

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Compliance Issue 2013-4

- Checking and Review Procedures

In response to this item, training will be provided to employees to enhance knowledge of software capabilities for report preparation and compliance requirements. The corrective action plan completion date is June 30, 2014 as monitoring will take place throughout the fiscal year.

Compliance Issue 2013-5

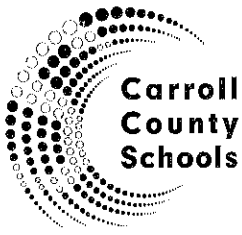
- Oversight and Financial Responsibilities, Laura Bush 21st Century Librarian Program

In response to this item, the district will request from OVEC copies of their annual financial report and documentation that the match requirements of this grant have been met. The corrective action plan completion date is June 30, 2014 as monitoring will take place throughout the fiscal year.

Compliance Issue 2013-6

- Failure to perform required random sample appropriately

In response to this item, the district has met with Lisa Gault, Director of School Nutrition. Trainings will occur to ensure that at least two individuals in the district are knowledgeable and able to complete the eligibility determinations, the random verification sample and the filing of claims for reimbursements. The corrective action plan completion date is June 30, 2014 as monitoring will take place throughout the fiscal year.



Carroll County Board of Education

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Mrs. Kathy Bieger, Director of Special Education

Although there have been some recommendations implemented as a result of prior years audits, our auditors' management letter cited areas where changes in procedures would provide the district with increased accountability. The Superintendent and Chief Financial Officer are going to meet with all appropriate district personnel to address the findings contained within the auditors' management letter. Monitoring to ensure compliance will be performed throughout the year. Therefore, the corrective action completion date for the following items is June 30, 2014. The following provides a review of our auditors' management letter followed by the district response:

- In the review of School Food Service, it was identified that there is no second internal check when filing monthly school food service reimbursement claims.

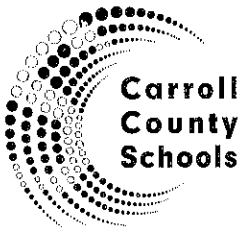
Response: The Chief Financial Officer has met with the Director of School Nutrition to discuss this and an additional school food service employee is being trained on the reporting process.

- In the review of federal procurement guidelines, it was discovered that the process of reviewing vendors for exclusion had been erroneously discontinued.

Response: The Chief Financial Officer has met with the appropriate staff and the process of reviewing vendors for exclusion has been reinstated. Vendors are being reviewed when the purchase amount exceeds \$2,000 and federal funds are being used. Additionally, employees that are paid through federal programs are being reviewed on a semi-annual basis.

- In the review of new vendor approvals, it was discovered that lapses had occurred in the approval process.

Response: The Chief Financial Officer has met with the appropriate staff to insure that lapses do not occur in the new vendor approval process.



Carroll County Board of Education

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Mrs. Kathy Bieger, Director of Special Education

- In the review of the minutes that were published on the website, the total dollar amount of the contract or expenditure approved was not included in the motion.

Response: The Superintendent and Chief Financial Officer have met with the Board Secretary to insure that the expenditure or contract amounts associated with a given motion are included in that motion.

We are pleased to note that many of the prior year findings were eliminated through implementation of additional controls. We continually strive for improvement in the areas addressed within this audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Dr. Lisa James". The signature is fluid and cursive, with a large, looping "J" at the end.

Dr. Lisa James, Superintendent